

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

### **LyonRoss Capital Management LLC**

March 17, 2020

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

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

The Adviser is registered as an investment adviser with the United States Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940 (the “Advisers Act”). Registration as an investment adviser with the SEC does not imply a certain level of skill or training.

## **Item 2: Material Changes**

There have been no material changes to the Brochure since the Adviser's annual update which was filed on March 29, 2019; however, the Adviser has made some routine updates and clarifying changes to the Brochure.

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## Item 4: Advisory Business

LyonRoss Capital Management LLC, a Delaware limited liability (“LyonRoss” or the “Adviser”), provides investment supervisory services on a discretionary basis to the following private investment funds: LyonRoss Partners Fund L.P., a Delaware limited partnership, LyonRoss Partners Fund, Ltd., a Cayman Islands exempted company, and LyonRoss Partners Master Fund L.P., a Cayman Islands limited partnership (the “Partners Master Fund”) in which LyonRoss Partners Fund L.P. and LyonRoss Partners Fund, Ltd invest substantially all of their investable assets (collectively, the “Partners Fund” or the “Funds”). In addition, LyonRoss currently provides non-discretionary and discretionary investment advisory services to other funds as a sub-advisor and to high net worth clients (collectively with the Funds, the “Clients”). LyonRoss may provide investment advisory services to other private investment funds and/or managed accounts in the future.

LyonRoss was founded by Piers Playfair in January 2007. Piers Playfair, through the Parent Company, is the managing member of the Adviser and owns a majority of the equity interests in the Parent Company.

LyonRoss does not offer wrap fee accounts.

As of December 31, 2019, the net assets under management of LyonRoss are approximately \$186.49 million on a discretionary basis and approximately \$382.81 million on a non-discretionary basis on behalf of its Clients.

### Partners Fund

Partners Fund was initially formed on May 11, 2006 under the name LCM Advanced Alpha. LyonRoss is responsible for the selection and research of portfolio managers (the “Portfolio Managers”) that manage collective investment vehicles (the “Portfolio Funds”) and separate accounts (the “Separate Accounts”), and is also responsible for the Fund’s direct investments including, but not limited to, equities, futures, options and swaps (“Direct Investments”). The Adviser performs due diligence on investment strategies and Portfolio Managers pursuing such strategies, including but not limited to making inquiries into the following areas: (i) the suitability of terms and conditions of Portfolio Funds and, if any, Separate Accounts, (ii) the analysis of Portfolio Managers’ trading skills and risk management capabilities, (iii) the integrity of the investment professionals and (iv) review of operations and controls.

The Partners Fund’s investment objective is long-term capital appreciation achieved through risk-adjusted returns on invested capital through deployment of Fund assets across a diverse set of asset classes, strategies and markets using (i) Portfolio Managers that manage Portfolio Funds and Separate Accounts and, (ii) at the sole discretion of the Adviser, Direct Investments. To the extent any Direct Investments are contemplated, the Adviser also performs due diligence on the suitability of a particular Direct Investment for the Partners Fund. The Partners Fund may also invest in other collective investment vehicles that are managed by the Adviser.

The selection of strategies, Portfolio Managers and Direct Investments is intended to provide a balanced return over money market rates over the long term. At any time, significant portions of the Partners Fund’s assets may be allocated to strategies and asset classes that correlate highly with

global stocks and bonds (the “global financial markets”). Also, at any time, significant portions of the Partners Fund’s assets may be allocated to strategies and asset classes which do not correlate highly, over time, to the global financial markets. The balance of strategies and asset classes will be at the sole discretion of the Adviser, consistent with the Adviser’s view of the optimal allocations required to achieve the Partners Fund’s investment objective. There can be no assurance that the Partners Fund will maintain, for any specific period, any particular level of correlation with global financial markets. Please see Item 8: Methods of Analysis, Investment Strategy and Risk of Loss for additional information.

**Other Clients**

LyonRoss provides non-discretionary investment advisory services to high net-worth clients. The non-discretionary advisory services generally involve investing in separately managed accounts or funds managed by other third-party managers on which LyonRoss has performed due diligence. These other Clients may impose restrictions on investing in certain third-party funds or types of third-party funds.

## Item 5: Fees and Compensation

### Partners Fund

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

LyonRoss may also receive an Incentive Fee/Allocation with respect to Class B as of the end of each fiscal year of up to 6% of the amount by which the net asset value exceeds a “high water mark”. Holders of Class A interests are subject to an Incentive Fee/Allocation with respect to net capital appreciation of their interest in the Fund in excess of 5% per annum in any fiscal year and any applicable “high water mark” (the “Net Capital Appreciation Rate”), with the applicable Incentive Fee/Allocation rate being equal to the lesser of (i) the Net Capital Appreciation Rate minus 4%, and (ii) 0.50% of the net asset value of the investor’s interest as of the last day of the fiscal year. In the case of Class A interests, however, the Incentive Fee/Allocation will be reduced by a portion of Incentive Fee/Allocation earned from Class B interests.

The Adviser may waive all or a portion of the Incentive Fee/Allocation with respect to any investor in any fiscal period. Incentive Fees/Allocations are accrued monthly from each investor’s interest and deducted annually.

### Other Clients

As noted above, the Adviser also provides investment advisory services to other Clients. For providing investment advisory services, LyonRoss receives (i) in the case of non-discretionary services, a quarterly consulting fee ranging from 0.0875% to 0.125% of the fair market value or net asset value, as applicable, of the investments made by the Client that have been recommended by the Adviser (the “Investments”); and, in some instances, an incentive fee up to 15% of net capital appreciation of the Investments and (ii) in the case of discretionary services, a quarterly fee of 0.125% of the net asset value of the account as of the end of each quarter, based on average month-end values during the quarter. In addition, the Adviser is entitled to receive a performance fee, subject to certain conditions being met, in connection with the advisory services it provides to one of the Clients.

The Adviser will refund to a Client a pro rata portion of any management fee paid in advance if the Adviser ceases to render services other than as of the last day of the applicable fee period, based upon the number of days remaining in that period.

### Other Expenses

The Funds are subject to additional expenses in addition to the Management Fees and Incentive Fees/Allocations. The Funds bear their own expenses, including, but not limited to, the Management Fee, investment expenses (i.e., expenses related to the investment of the Fund’s assets, including, without limitation, data, clearance, exchange, structuring, administrative, legal, tax, audit and technology fees, brokerage commissions, custody fees, interest and other borrowing charges,

professional and legal expenses relating to particular investments and other expenses reasonably related to the investment decision and monitoring process), expenses from derivatives transactions, expenses associated with the Fund's securities financing activities, taxes, insurance premiums, legal expenses, regulatory expenses, the costs of brokerage services and research (including, without limitation, news, quotation, statistics and pricing services, hardware, software, databases and other technical and telecommunications services and equipment used in the investment management process), accounting, audit and tax preparation expenses, the administrator's fees, other expenses associated with the operation of the Fund, organizational expenses and expenses incurred in connection with the offering and sale of Fund interests and all extraordinary expenses.

LyonRoss invests client assets in investments that may charge additional fees and/or allocations, that is, in other pooled investment vehicles. The fund managers or portfolio managers of the underlying investments are expected to charge fees and expenses to their investors. LCM's Clients/investors may therefore indirectly bear fees charged by the underlying investments (including management, performance, administrative, brokerage, custodial, overhead, operational or other fees or a performance allocation).

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

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

The Incentive Fee/Allocation may create an incentive for the Adviser to cause the Funds to make investments that are riskier or more speculative than would be the case in the absence of such allocation. In addition, since the Incentive Fee/Allocation is calculated on a basis that includes unrealized appreciation of a Fund's assets, it may be greater than if the Incentive Fee/Allocation were based solely on realized gains. The underlying funds in which the Funds invest may also have similar performance fee arrangements and similar conflicts, and an adviser of an underlying fund may be entitled to a performance-based fee even if the Fund's overall returns are negative.

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



## **Item 7: Types of Clients**

LyonRoss provides advisory services to the Funds and other Clients which include high net worth individuals and entities, funds and investment advisors. The minimum investment required to invest in the Funds is described in the applicable Fund's offering memorandum. The Adviser, in its sole discretion, may waive or reduce any minimum commitment in certain circumstances.

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

### **A. Methods of Analysis**

#### **Partners Fund**

The Adviser identifies, researches, evaluates, selects and monitors the Portfolio Managers with which the Partners Fund invests. The Portfolio Managers execute various types of investment strategies. The Adviser selects and monitors the Portfolio Managers based on certain criteria, which include, but are not limited to (i) the suitability of terms and conditions of Portfolio Funds and, if any, Separate Accounts, (ii) the analysis of Portfolio Managers' trading skills and risk management capabilities, (iii) the integrity of the investment professionals and (iv) review of operations and controls. The Adviser's selection of Portfolio Managers is influenced in part by the extent to which a Portfolio Manager's investment strategy has a demonstrable record of capital appreciation and high-quality risk management controls.

#### **Other Clients**

In the case of the other Clients for whom LyonRoss provides non-discretionary advisory services, the Adviser recommends Portfolio Managers. In the large majority of cases, Portfolio Managers are the same as (or very similar to) Portfolio Managers in which the Funds have invested. The Adviser bases its recommendation on the criteria set out by the Client for the Adviser. The Adviser may, from time to time, recommend direct investments.

In the case of other Clients for whom LyonRoss provides discretionary advisory services, the Adviser invests across three strategy areas: trading systems, market directional risk, and portfolio hedging. Exposure to a given strategy area and within strategy area are based upon the Adviser's research and development efforts and asset allocation research. The Adviser regularly reviews the discretionary advisory assets and returns to evaluate portfolio management decisions.

### **B. Investment Strategies**

The mix and weighting of the strategies noted below used to invest the assets of the Funds will be in the sole discretion of the Adviser, consistent with Adviser's view of the optimal allocation required to achieve each Fund's investment objective. For the avoidance of doubt, the below lists are not intended to be an exhaustive list of the strategies which may be employed by either Fund from time to time. Over time, the Adviser may change these strategies or use other strategies in its sole discretion, including in response to changes in various market conditions.

#### **Partners Fund**

The Adviser employs on behalf of the Partners Fund various types of investment strategies, which include, but are not limited to:

- Equity
- Fixed Income and Market Neutral
- Macro and Trading
- Top Down
- Special Situations

### **Other Clients**

In the case of other non-discretionary Clients, the investment recommendations follow from the criteria set out by the Client. The direct investments and Portfolio Managers that are recommended are generally selected from the investments and Portfolio Managers in the Funds.

In the case of other Clients for whom LyonRoss provides discretionary advisory services, the Adviser invests across three strategy areas: trading systems, market directional risk, and portfolio hedging. Exposure to a given strategy area and within strategy area are based upon the Adviser's research and development efforts and asset allocation research. The Adviser regularly reviews the discretionary advisory assets and returns to evaluate portfolio management decisions.

### **C. Risk of Loss**

**General Economic and Market Conditions:** The success of the Adviser's and, to the extent the Clients utilize Portfolio Managers, the Portfolio Managers' investments activities will be affected by general economic and market conditions, such as:

- Interest rates
- Availability of credit
- Credit defaults
- Inflation rates
- Economic uncertainty
- Changes in laws (including laws relating to taxation of investments)
- Currency exchange controls
- National and international political circumstances (including wars, terrorist acts or security operations)

These factors may affect the level and volatility of financial instruments' prices and the liquidity of the investments. Volatility or illiquidity could impair investment profitability or result in losses.

The Adviser and the Portfolio Managers maintains substantial trading positions that can be adversely affected by the level of volatility in the financial markets — the larger the positions, the greater the potential for loss. The Adviser or certain Portfolio Managers invests outside of the U.S., and the economies of non-U.S. countries may differ favorably or unfavorably from the U.S. economy in such respects as:

- Growth of gross domestic product
- Rate of inflation

- Currency depreciation
- Asset reinvestment
- Resource self-sufficiency, and
- Balance of payments position

**Investment and Trading Risk:** All investments made by the Clients and Portfolio Managers risk the loss of capital (i.e., invested amount). The Adviser and the Portfolio Managers utilize such investment techniques as margin transactions, short sales, option transactions, forward and futures contracts, and other derivatives trading, which practices, in certain circumstances, will increase the risk of losses. No guarantee or representation is made that the Adviser's or any Portfolio Manager's investment program will be successful, and investment results may vary substantially over time. The Adviser does not have any responsibility for, involvement with or control over the Portfolio Managers' investments or other activities.

**Quantitative Models and Systems:** The Partners Fund depends on the Adviser to develop and implement appropriate systems for its activities. The Partners Fund relies extensively on computer programs and systems (and may rely on new systems and technology in the future) for various purposes including, without limitation, to trade, clear and settle transactions, to evaluate certain securities, to monitor its portfolio and net capital, and to generate risk management and other reports that are critical to oversight of the Partners Fund's activities. Certain of the Partners Fund's and the Adviser's activities will be dependent upon systems operated by third parties, including prime brokers, the Administrator, market counterparties and other service providers, and the Adviser may not be in a position to verify the risks or reliability of such third-party systems. The failure of one or more systems or the inability of such systems to satisfy the Partners Fund's needs, including, without limitation, the execution of orders, could have a material adverse effect on the Partners Fund and the investors' investment therein.

Additional risks associated with investments include (among others):

- Limited Operating History of the Adviser and Portfolio Managers
- General Economic and Market Conditions
- Master-Feeder Fund Structure
- Systemic Risk
- Incentive Fee/Allocation
- No Market for Fund interests
- Right of Funds to Force Redemption
- Reliance on Management and Key Personnel
- Effect of Substantial Losses or Redemptions
- Multiple Portfolio Managers
- Retention and Motivation of Key Employees
- Limited Diversification
- In-Kind Distributions
- Absence of Regulatory Oversight
- Systems Risks, including risks associated with the implementation of quantitative models
- Operational Risk

**Investment Risks, including**

- Leverage
- Concentration of Investments
- Short Sales
- Equity Risk
- Interest Rate Movements
- Investment in Small Companies
- Investment in Illiquid Securities
- Investment in Non-U.S. Securities
- Identity of Beneficial Ownership and Withholding on Certain Payments
- Swap and Counterparty Risks
- Fixed Income Securities
- High Yield Securities
- Pooled Investment Vehicles, Pass-through Entities and Separate Accounts
- Risks of Arbitrage Strategies
- Hedging Risk
- Basis Risk
- Prepayment Risk
- Options
- Futures and Related Options
- Forward Trading
- Currency Trading
- Inter-Bank Trading
- Institutional Risk
- Repurchase Agreements
- Credit Risk
- Position Limits
- Debt Securities Generally
- Global Macro
- Long-Term Focus
- Relative Value and Market Neutral
- Other Instruments and Future Developments

**Cybersecurity Risk:** The Funds LyonRoss and their service providers may be prone to operational and information security risks resulting from cyber-attacks. Cyber-attacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information or various other forms of cybersecurity breaches. Cybersecurity attacks affecting LyonRoss, the Funds and their service providers may adversely impact the Funds.

In addition, despite certain measures established by LyonRoss and third-party service providers to safeguard information in these systems, LyonRoss, Clients and their third-party service providers are subject to risks associated with a breach in cybersecurity which may result in damage and disruption to hardware and software systems, loss or corruption of data and/or misappropriation of

confidential information. Any such errors and/or disruptions may lead to financial losses, liability under applicable law, regulatory intervention or reputational damage.

**Business, Terrorism and Catastrophe Risks:** Clients will be subject to the risk of loss arising from exposure that it may incur, indirectly, due to the occurrence of various events, including hurricanes, earthquakes, and other natural disasters, terrorism and other catastrophic events such as a pandemic. These catastrophic risks of loss can be substantial and could have a material adverse effect on the Adviser's business and Clients' portfolios including investments made by the Adviser.

Fund investors should refer to the Funds' offering memoranda for a more detailed discussion of risk factors.

## **Item 9: Disciplinary Information**

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

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

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

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



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

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

The Code of Ethics is designed to assure that the personal securities transactions of the Adviser will not violate insider trading laws. Under the Code of Ethics, certain securities have been designated as restricted, based upon a determination that a related person of the Adviser either has material nonpublic information about an issuer or has a relationship with insiders of the issuer that is highly likely to result in such supervised person obtaining material nonpublic information. In addition, the Code of Ethics requires pre-clearance of any purchase of interests in private placements and initial public offerings. Employee trading is monitored on a quarterly basis under the Code of Ethics to reasonably prevent insider trading.

The Code of Ethics requires all access persons to devote their full time and efforts to the Adviser's business. In addition, no supervised person may make use of either his or her position as an employee or information acquired during employment, or make personal investments in a manner that may create a conflict, or the appearance of a conflict, between the employee's personal interests and the interests of the Adviser or the Adviser's clients. In certain situations, an investment opportunity may be suitable for more than one Fund and/or other Client. In making allocation decisions among Funds and the other Clients, the Adviser will take into account a number of factors including, but not limited to, investment objectives, leverage parameters, volatility objectives, rate of return objectives, tax position, liquidity requirements and whether an allocation to a particular Fund or other Client will have a material impact on its overall portfolio. Application of these and other considerations may result in different allocation decisions depending on the particular facts and circumstances in existence at the time the allocations are made and may or may not result in a *pro rata* allocation of limited investment capacity among all Funds and other Clients.

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

## Item 12: Brokerage Practices

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

### Selection of Trading Counterparties

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

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

### Soft Dollar Benefits

The term “soft dollars” refers to a means of paying brokerage firms for products and services through commission revenue, based on the volume of brokerage commission revenues generated from securities transactions executed through brokers by an investment manager on behalf of the Clients. LyonRoss does not participate in any formal soft dollar arrangements. However, LyonRoss might execute securities transactions on behalf of Clients with broker-dealers that provide it with access to proprietary research reports (such as standard investment research and

credit reports) or access to capital introduction programs as previously noted. To the best of LyonRoss' knowledge, these services are generally made available to all similar institutional investors doing business with such broker-dealers.

**Trade Errors**

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

**Allocation of Investment Opportunities**

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

**Investor Referrals**

Broker-dealers (including prime brokers) may assist the Funds in raising additional capital from investors. Neither the Adviser nor the Funds separately compensate any broker-dealer for the provision of capital introduction services or for any investments. The Adviser may, however, have an incentive to use a broker-dealer based in part on its interest in receiving investor referrals for the Funds rather than on the Funds' interest in receiving the most favorable execution. The Adviser will, however, primarily select a broker-dealer based on best execution standards and its fiduciary duties to Funds. The Adviser does not commit to allocate either a stated dollar or stated percentage of Fund brokerage to any broker-dealer.

## Item 13: Review of Accounts

### **Fund Administrator**

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

### **Partners Fund**

At the end of each calendar month, the Adviser distributes a monthly letter to the Partners Fund's investors and a quarterly asset allocation report containing information relating to general macro market conditions, the Fund's estimated performance, and future strategy considerations. In addition, the Adviser will be distributing to the Partners Fund's investors a mid-month estimate of the Fund's performance.

### **Other Clients**

In the case of other funds which Lyonross sub-advises, and the high net worth clients, LyonRoss sends a monthly performance update.

### **Side Letters**

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

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

The Adviser does not directly or indirectly compensate any person for investor referrals. As stated in Item 12, the Adviser may allocate portfolio transactions to brokers or dealers who provide research and/or related services.

## **Item 15: Custody**

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

## **Item 16: Investment Discretion**

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

The Adviser may, from time to time, permit certain individuals and/or entities to co-invest alongside client accounts. The decision as to whether to make co-investments and to whom such co-investment opportunities are offered is made by the Adviser in its sole discretion, and no investor has a right to participate in co-investments. Co-investments may result in the investment in, or the disposal of, shares of a particular investment by co-investors at the same time or on the same terms as other client accounts. To the extent employees are permitted to participate in co-investments, co-investment opportunities will only be offered to employees after such client accounts have received their target investment allocations.

## Item 17: Voting Client Securities

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

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

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

- Generally, the Adviser will vote in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated), selection of auditors, and increases in or reclassification of common stock.
- Generally, the Adviser will vote against proposals that make it more difficult to replace members of the issuer's board of directors, including proposals to stagger the board, cause management to be overrepresented on the board, introduce cumulative voting, introduce unequal voting rights, and create supermajority voting.

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

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

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



**Class Actions/Other Claims**

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

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

## **Item 18: Financial Information**

This Item is not applicable.