

# **Leucadia Asset Management LLC**

## **Topwater Capital Division**

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## **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 (f/k/a Jefferies Investment Advisers, LLC) ("LAM"). If you have any questions about the contents of this brochure, please contact us at 203-852-8005. 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. LAM 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 LAM also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Material Changes**

Effective as of January 1, 2021, the Topwater Capital Division was reorganized to become a division of Jefferies Investment Advisers, LLC (SEC ID No. 801-61698), which has been renamed Leucadia Asset Management LLC. As a result of such reorganization, Leucadia Asset Management LLC (SEC ID No. 801-61698) is the manager or investment manager, as applicable, to Topwater Partners Offshore Ltd., Topwater Partners LLC, Topwater Master Fund Ltd., Topwater Mayfly Fund LLC and Topwater Stonefly Fund LLC.

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#### Item 4. Advisory Business

Leucadia Asset Management LLC (f/k/a Jefferies Investment Advisers, LLC) (referred to in this brochure as “LAM” or “we”), a limited liability company formed under the laws of the State of Delaware in June 2002, is a wholly-owned subsidiary of Jefferies Financial Group Inc. (“JFG”), a publicly traded corporation listed on the New York Stock Exchange and trading under the symbol “JEF”. This Brochure relates to the Topwater Capital division (the “Topwater Capital Division”) of LAM. Through the Topwater Capital Division, we are engaged in the business of offering advisory and portfolio management services to private funds. LAM expects to operate other services through other divisions of LAM, which will be described in other brochures.

LAM’s principal office and place of business is located in the New York, New York, where we perform portfolio management, quantitative analysis, systems development, operations, accounting, legal and compliance functions. Various affiliates of LAM 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 US locations of Leucadia and its subsidiaries. The Topwater Capital Division maintains separate investment personnel and has physical and technological barriers in place between it and other JFG entities and their employees. The Topwater Capital Division’s office and place of business is located in South Norwalk, CT.

LAM conducts its activities in accordance with the Investment Advisers Act of 1940, as amended (the “Advisers Act”), and the rules and regulations promulgated thereunder. All personnel of the Topwater Capital Division are subject to the supervision and control of LAM. The Topwater Capital Division has its own Compliances and Procedures including a Code of Ethics which also incorporates certain policies and procedures which have been established by JFG. The Chief Compliance Officer of the Topwater Capital Division is responsible for the administration of such policies and procedures.

LAM through its Topwater Capital Division serves as the Manager and Investment Advisor to Topwater Partners LLC a Delaware limited liability company (the “Onshore Fund”) and Topwater Partners Offshore Ltd. a Cayman Islands exempted company (the “Offshore Fund”, together with the Onshore Fund, the “Funds”), as well as Topwater Master Fund Ltd., the Cayman master fund and, Topwater Mayfly Fund LLC and Topwater Stonefly Fund LLC (the “Trading Master Funds”). All trading is done at the level of the Trading Master Funds.

Each Trading Master Fund is expected to hold one or more managed accounts (each a “Managed Account”) managed by third-party account advisers (each an “Account Manager”). Each Account Advisor will be engaged by the relevant Trading Master Fund pursuant to an account investment advisory agreement (each an “Account Investment Advisory Agreement”) to manage a specified Managed Account and will have discretionary authority to invest and reinvest only that portion of a Trading Master Fund’s capital that is allocated to the Managed Account managed by it.

The Onshore Fund offers “Regular Interests and First-Loss Interests”. The holders of these Member Interests are referred to as First-Loss Members and Regular Members.

The Offshore Fund offers non-voting “Regular Shares and First Loss Shares”. The holders of these Shares are referred to as First-Loss Shareholders and Regular Shareholders.

Each First-Loss Interest/Shares is associated solely with a single Managed Account managed by an Account Advisor. The First-Loss Interest/Shares associated with each Managed Account is generally expected to be (but is not required to be) held by the Account Advisor for the relevant Managed Account or an affiliate or designee of such Account Advisor.

The Funds offer two separate classes of Regular Interests/Shares. Class A Regular Interests/Shares require minimum investments of \$5M and Class B Regular Interests/Shares with minimum investments of \$1M. Regular Interests/Shares will be associated with all of the Managed Accounts of the Trading Master Funds that are funded by such Regular Interests/Shares. Regular Interests/Shares may be held by LAM or an affiliate thereof, and eligible third party investors.

Subject to the investment guidelines and other restrictions imposed in the applicable Account Investment Advisory Agreement, Managed Accounts are authorized to trade in the financial markets by buying and selling a broad range of securities and financial instruments, including, without limitation, U.S. and non-U.S. equity and equity-related securities, futures, exchange-traded funds (“ETFs”), fixed-income securities, preferred securities, options, forward contracts (currency or otherwise) and swaps (including interest rate and total return or similar swaps) (collectively, “Financial Instruments”).

As of November 30, 2019, the Topwater Capital Division had Regulatory Assets Under Management totaling \$ 905,739,096 on a discretionary basis. The term “Regulatory Assets Under Management” is defined by the SEC in the instructions to Form ADV and are calculated in accordance with the requirements prescribed by the SEC. The Topwater Capital Division does not manage assets on a non-discretionary basis.

## **Item 5. Fees and Compensation**

With respect to Class A Regular Interests/Shares, LAM is entitled to be paid, from the capital account of each Regular Member/Shareholder, a management fee (the “Management Fee”), paid in advance, equal to 0.25% (or approximately 1.0% on an annualized basis) of the value of such capital account as of the opening of business on the first business day of each calendar quarter (after giving effect to capital contributions).

With respect to Class B Regular Interests/Shares, LAM is entitled to be paid, from the capital account of each Regular Member/Shareholder, a management fee (the “Management Fee”), paid in advance, equal to 0.375% (or approximately 1.5% on an annualized basis) of the value of such capital account as of the opening of business on the first business day of each calendar quarter (after giving effect to capital contributions).

With respect to First Loss Interests, First-Loss Members/Shareholders are not expected to be charged the Management Fee.

### **Other Compensation**

LAM, including the Topwater Capital Division, and its employees do not receive compensation for the sale of securities or other financial products.

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

With Respect to all Classes of Regular Interests/Shares, LAM is entitled to receive a performance allocation (the "Performance Allocation") with respect to each performance period in an amount equal to 10.0% of the excess, if any, of (i) the Fund Net Profits allocated to the Capital Account of such Regular Member/Shareholders during the performance period, over (ii) such Regular Member's/Shareholder's Loss Carryforward as of immediately before the end of the performance period.

No Performance Allocation is due with respect to the Capital Accounts (or portions thereof) corresponding to First-Loss Interests/Shares.

Each Performance Allocation is allocated from the Capital Account of the applicable Regular Member/Shareholder to LAM's Capital Account as of the end of the applicable performance period.

#### **Item 7. Types of Clients**

We provide investment advisory services to the Funds. The Regular Members/Shareholders and First-Loss Members/Shareholders in the Funds are primarily comprised of eligible corporations, endowments, pension plans, hedge funds of funds, family offices, investment managers (including Account Managers) and high net worth individuals.

Conditions for investing in the funds, such as the minimum investment amount, are stated in the Funds' offering materials and the terms and conditions of their respective governing documents. The Manager of the Onshore Fund and the Board of Directors or the Manager of the Offshore Fund has the sole discretion to reduce or waive the minimum investment amount. The minimum investment amount for Class A Regular Member Interests/Shares in the Funds is \$5 million. The minimum investment amount for Class B Regular Interests/Shares in the Funds is \$1million. A First-Loss Member/Shareholder required initial capital contribution will be as specified in the relevant Account Investment Advisory Agreement and will be allocated exclusively to the Managed Account associated with such First-Loss Member/Shareholder.

In order to invest in a Regular Interest/Shares or First Loss Interest/Shares and become a Member/Shareholder, a person must meet certain suitability standards and qualify as an "accredited investor" within the meaning of Regulation D promulgated under the Securities Act of 1933, as amended, and a "qualified purchaser" within the meaning of Section 2(a)(51) of the Investment Company Act of 1940, as amended (the "1940 Act") or a "knowledgeable employee" within the meaning of Rule 3c-5 under the 1940 Act.

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

The investment objective of the Funds is to seek attractive risk-adjusted returns through capital appreciation of, and income from, its investments. The investment strategies to be used for the Fund, and

any restrictions on trading on behalf the Funds, will be set out in the Funds' offering materials and the terms and conditions of their respective governing documents and/or the managed account's Account Investment Advisory Agreement.

Allocations of capital will be made by LAM to Account Advisors who will in turn invest in a variety of investment strategies. There are no material limitations on the investment strategies or techniques which may be employed by Account Advisors. Generally, the investment strategies utilized by the Account Advisors will include, but are not limited to, Long/Short Equities, Relative Value, Long-Biased/Long Only, Short-Biased/Short Only, Merger or Risk Arbitrage, Statistical Arbitrage, Special Situations/Event Driven Investment, Fixed Income and Options (each strategy is further described in the Funds' the Funds' offering materials and the terms and conditions of their respective governing documents). Generally, a majority of the Funds' capital will be invested (indirectly through the Trading Master Funds) in publicly traded stocks, options, exchange-traded funds ("ETFs"), and fixed income instruments. Any restrictions on trading on behalf the Funds will be set out in the Account Investment Advisory Agreement among the Funds, the Account Advisor and the First-Loss Member/Shareholder.

LAM monitors the Funds' overall investment position, including ongoing evaluations of the performance of the Managed Accounts, and may make periodic changes in the allocation of the Trading Master Funds' assets to existing and new Account Advisors as it deems appropriate. LAM will assess the overall risk of all of the investments by examining the individual risks and the cross correlation of risks among each of the Managed Accounts and investments of the Funds. LAM will determine, on a monthly basis each Managed Account's investment account exposure, which is a specified dollar amount that is associated with such Managed Account in connection with its Account Advisor's trading.

Account Advisor selection may take into account investment strategy employed; prior performance; research and trading capabilities; depth and investment experience of management team; risk management capabilities; and potential volatility and risk exposure of portfolio.

### **Risks Associated with the Funds' Investment Strategy**

The success of the Funds is substantially dependent on the LAM's ability to select and allocate assets to Account Advisors that successfully implement their investment strategies. No assurance can be given on LAM's recommended Account Advisors and their respective investment strategies will be successful. LAM's recommendation of an Account Advisor relies heavily on historical information which is not an indicator of future investment performance.

An investment in the Funds involves a substantial risk of loss an investor should be prepared to bear. No guarantee or representation is made the investment objective of the Funds will be achieved. There are material risks associated with the investment strategies used by the Account Advisors and with the structure of the Funds. Regular Members/Shareholders and First-Loss Members/Shareholders should be aware any investment in the Funds is subject to significant risks, including the loss of all or a substantial portion of their investment.

Each Account Advisor's ability to achieve the investment objective may be affected by a number and variety of risks, which include but are not limited to Equity Risks, Market Risk, Fixed Income Risk,

Extraordinary Events, Market Liquidity Risks, Investment Concentration, Leverage, Short Sales, Derivatives, Increased Regulation and Foreign Exchange Risk. The aforementioned risks do not attempt to describe all of the risks associated with the investment strategies employed by the Account Advisors or the Funds.

Furthermore, Regular Members/Shareholders and First-Loss Members/Shareholders should be aware of the following additional risks involved with making an investment in the Funds.

- Illiquid nature of the Funds' membership/shareholder interests;
- No assurance of the achievement of Funds' Investment Objective and Strategies;
- Dependence upon LAM to select, monitor, rebalance and change Account Advisors;
- Additional layer of performance fees paid to the Account Advisors;
- Use of multiple Account Advisors;
- Limited operating history for many of the Account Advisors
- Possibility of additional government or market regulation
- Possible unavailability of Key Personnel;
- Members/Shareholders do not participate in Management;
- Member/Shareholder interest concentration and the potential impact of a substantial withdrawal from the Funds;
- Regular Member/Shareholder's lack of control over the investment of the Funds' capital;
- Possibility of high levels of concentration with a specific Account Advisor; investment strategy, or a particular investment;
- Exposure to losses in any Managed Account;
- Possibility of magnified losses from the Funds' use of leverage; and
- Counterparty Risk with broker-dealers and other financial institutions.

First-Loss Members/Shareholders should be aware their investments in the Funds contain numerous risks in addition to those mentioned above. Each First-Loss Member/Shareholder only participates in the net profits attributable to the Managed Account associated with their First Loss Interest/Shares and will be allocated the first loss associated with such Managed Account. In addition, as an investor in the Funds, each First-Loss Member/Shareholder may be exposed to the third loss associated with the Funds' other Managed Accounts. As a result, a First-Loss Member/Shareholder will not benefit from the gains from the Funds' other Managed Accounts but could be exposed to losses of the Funds' other Managed Accounts. Furthermore, the allocation of net losses in each Managed Account is disproportionately allocated to the respective First-Loss Member/Shareholder according to the terms of the Funds' offering materials and the terms and conditions of their respective governing documents and Account Investment Advisory Agreement. This disproportionate allocation of net losses magnifies the risk of loss to the First-Loss Member/Shareholder.

For additional information, prospective investors should carefully review the Funds' offering materials and the terms and conditions of their respective governing documents with particular emphasis on the investment strategy, risk factors, and conflicts of interest. First-Loss Members/Shareholders should also carefully review the Account Investment Advisory Agreement relating to the managed account in which they are invested.



## **Item 9. Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the registered investment advisor or the integrity of its management. LAM has no information applicable to this Item.

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

LAM is an indirect, wholly-owned subsidiary of JFG. JFG (NYSE: JEF) is a diversified holding company engaged through its consolidated subsidiaries in a variety of businesses, including beef processing, manufacturing, gaming entertainment, real estate activities and medical product development. JFG also owns significant equity interests in various operating businesses that are not consolidated subsidiaries.

Jefferies Group LLC ("Jefferies"), is a global investment banking firm, and a wholly-owned subsidiary of JFG. Headquartered in New York, with offices in over 30 cities around the world, Jefferies 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, a wholly-owned subsidiary of Jefferies, will serve as a placement agent for the Fund and receive a customary placement fee in connection therewith.

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

Certain JFG and Jefferies subsidiaries are investment advisers and other financial institutions whose businesses have no material relationship to our business.

LAM is a registered Swap Firm, Commodity Trading Advisor ("CTA") and a Commodity Pool Operator ("CPO") with the National Futures Association and has claimed a 4.7 Exemption with respect to the Funds, the Cayman Master Fund and the Trading Master Funds.

### **Affiliated Broker-Dealer**

From time to time, LAM may use an affiliate, including Jefferies LLC, to act as Prime Broker, Introducing Broker or executing broker for Financial Instruments where LAM determines it to be necessary or desirable in the interest of a Trading Master Fund (for example if LAM deems it likely to result in cost savings for such Trading Master Fund or protection of such Trading Master Fund's assets, or for interim periods when non-affiliated service providers are not available). In particular, LAM has appointed its affiliate, Jefferies LLC, to act as a Prime Broker and Custodian. In such event, the affiliate will receive customary fees for providing

these services, and the affiliate also may benefit when, among other things, it earns fees for lending securities to such Trading Master Fund in connection with short sale positions, or for rehypothecating margined securities to third parties. To the extent that any of a client's transactions are effected through the affiliate as executing broker or a prime broker the affiliate would receive additional fees in the form of commissions.

In addition, from time to time, a Managed Account may use Jefferies LLC as an executing broker to execute agency orders.

### **Other Conflicts of Interest**

Affiliates of LAM may be advising or may in the future play an advisory role or perform other services for one or more of a Trading Master Fund's portfolio companies. LAM, attempts to limit the extent to which it has access to information about such matters through its policies and procedures ("Information Walls"). However, if one of LAM's affiliates decides to play such a role, e.g., act as adviser to a portfolio company, and to the extent that Information Walls do not successfully prevent LAM from acquiring information about its affiliate's services, a Trading Master Fund may be required or expected to liquidate its position in such portfolio company. Such a transaction may cause the Funds to realize reduced profits or losses. Similarly, if a Trading Master Fund maintains a short position in a company for which LAM's affiliate intends to play an advisory role, such Trading Master Fund may be forced to cover the short prematurely, which, in turn, may result in reduced profits or losses. If a Trading Master Fund is permitted to maintain its position in such instance, LAM's affiliate may take actions or provide advice with respect to the portfolio company that could result in adverse consequences to such Trading Master Fund and the restriction on the ability to close such position.

Affiliates of LAM, including Jefferies LLC and its affiliates, may publish research and market commentary from time-to-time on financial markets and other matters that may influence the value of the Interests, or express opinions or provide recommendations that are inconsistent with purchasing or holding an Interest. Such affiliates of LAM may have published or may publish in the future research, market commentary or other opinions that call into question the investment view implicit in an investment in an Interest. Any research, market commentary, opinions or recommendations expressed by these entities may not be consistent with each other and may be modified from time-to-time without notice. Members/Shareholders should make their own independent investigation of the merits of investing in an Interest.

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

### **Adviser Selection**

LAM, as part of its service to the Funds, provides sourcing, conducts due diligence, and recommends potential Managed Account Advisors to the Funds. The compensation for these services is described in Item 5 “Fees and Compensation”.

By acquiring interests/shares in the Funds, each investor will be deemed to have acknowledged the existence of any such actual and potential conflicts of interest, and to have waived any claim with respect to any liability arising from the existence of any such conflicts of interest.

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

As required by SEC Rule 204A-1 under the Investment Advisers Act of 1940, LAM has adopted a Code of Ethics (the “Code”) which sets forth its business standards and its fiduciary duty to the Fund. At the beginning of employment and annually, each employee of LAM must acknowledge the terms of the Code and receive training on the various obligations imposed by the Code. The CCO will ensure all employees have access to the most recently updated Code. Any employee who violates the Code may be subject to disciplinary action, up to and including termination. All employees are obligated to report any violation of the Code to the CCO. The Code addresses the following:

- Prohibition on the use of material non-public information of a security;
- Reporting initially and quarterly thereafter all brokerage accounts of employees and members of their household;
- Prohibition on employees executing security orders for their personal accounts ahead of the Funds security orders (i.e. front running);
- Pre-clearance of all private placement security transactions;
- Prohibition of the purchase of new issue securities;
- Reporting of all reportable transactions within thirty (30) days of each calendar quarter end by all employees;
- Reporting of gifts over a de minimis value; and
- Other potential conflicts of interest.

The Code is available to all current and prospective investors by contacting the CCO at [compliance@topwaterpartners.com](mailto:compliance@topwaterpartners.com).

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

##### **Brokerage Selection**

LAM continuously evaluates and recommends broker-dealers to the Funds. There are a number of factors considered when recommending broker-dealers and determining the reasonableness of their compensation.

Such factors include:

- Capital introduction and sales trading teams

- Client service
- Technology
- Legal documentation and entity structure
- Margin requirements
- Financing costs
- Commission costs
- Custodial services
- No material adverse news

### **Research and Other Soft Dollar Benefits**

Currently, LAM has no soft dollar agreements with the broker-dealers used by the Funds. However, an Account Advisor may have their own individual arrangements in which soft-dollar credits are accumulated for its sub account in the Trading Master Funds to pay for research services and brokerage services ("Soft Dollar Services"), provided that such Soft Dollar Services are within the "safe harbor" provided by Section 28(e) of the Exchange Act.

The proprietary trading policies of the individual Account Advisors may differ materially from LAM's policies however, in connection with Soft Dollar Services, an Account Advisor in selecting the brokers for performing portfolio executions, takes into account various factors, most notably technology capabilities and systems capacity, and could also take into account such factors as the financial stability and reputation of the broker, the quality of the investment research, investment strategies, special execution capabilities, clearance, settlement, custody, recordkeeping and other ancillary services, including the broker's willingness to provide Soft Dollar Services. In some cases, the Soft Dollar Services are bundled with execution services in consideration for the Account Manager directing client orders to the broker (e.g., proprietary research of the broker, access to the broker's analysts, and direct communication lines between the Account Manager and the broker). In other cases, the Soft Dollar Services are priced separately from the execution services. As a result, the sub accounts in the Trading Master Funds may pay more than the lowest available commission in consideration for the Account Advisor's receipt of any or all of the above services. The portion of the commission attributable to execution services may be materially smaller than the portion of the commission attributable to Soft Dollar Services. The Account Advisor does not necessarily undertake to apply every negotiated reduction in the cost of execution services to reduce the overall commission rate, where the balance of the commission rate is applied to Soft Dollar Services within the safe harbor.

An Account Advisor is expected to derive substantial direct or indirect benefit from Soft Dollar Services, particularly to the extent they use soft dollars to pay for expenses which they would otherwise be required to pay for their sub account in the Trading Master Funds. With respect to Soft Dollar Services that are bundled by the broker with the execution price, there is a risk that the Account Manager is agreeing to pay more on a bundled basis for the combined services than the Trading Master Fund would need to pay to obtain the services separately if available on that basis. The investment information and soft dollar benefits received from brokers may be used by the Account Advisor in servicing other unrelated accounts, and not all such information and soft dollar benefits may be used by the Account Advisor in connection with its sub account in the Trading Master Fund.

As a general matter, the Account Advisor will be required to allocate soft dollar benefits to its sub account in the Trading Master Fund on a pro rata or on an equitable basis among its other unrelated accounts with a preapproved allowable commission rate. LAM requires that an Account Advisor that has been allowed to use Soft Dollar Services, provide a quarterly certification as to its soft dollar allocations in its sub account of the Trading Master Fund.

### **Cross Transactions**

LAM or an Account Adviser may also enter into cross transactions where an affiliate acts as agent on behalf of a Trading Master Fund or a Managed Account, as applicable, and the other party to the transaction. Cross transactions enable LAM or an Account Adviser to purchase or sell a block of Financial Instruments for a Trading Master Fund or a Managed Account, as applicable, at a set price and possibly avoid an unfavorable price movement that may be created through entrance into the market with such purchase or sell order. The relevant affiliate may have a potentially conflicting division of responsibilities to both parties to such cross transaction. A Trading Master Fund or a Managed Account will only consider engaging in a principal or cross transaction with an affiliate of LAM or an Account Adviser, as applicable, to the extent permitted by applicable law.

### **Brokerage for Client Referrals**

As mentioned above, LAM receives Account Advisor introductions from broker-dealers. These introductions could be classified as client referrals and may create a conflict of interest. If a broker-dealer introduction results in the selection of an Account Advisor the standard procedure for LAM is to recommend each Trading Master Fund:

- Establish the managed account at the broker-dealer that provided the introduction; and
- Require the Managed Account Advisor to primarily execute its trading activity at the broker-dealer providing the introduction.

This procedure creates an incentive for LAM to recommend broker-dealers who make introductions of Account Advisors. Conflicts of interest may exist because the recommended broker-dealers may not be as competitive as other broker-dealers based on the factors listed above. LAM's recommendation of specific broker-dealers may not result in the most favorable execution which may result in additional cost to the Funds.

### **Directed Brokerage**

As described above, LAM routinely recommends the Funds establish managed accounts and the Account Advisors execute brokerage transactions at specific broker-dealers. However, LAM does not have the ability to require the Funds or an Account Advisor to execute brokerage transactions at specific broker-dealers.

LAM does not aggregate the purchase or sale of securities for the Funds or Regular Member/Shareholder accounts.

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

LAM monitors the activity of each Managed Account on a continual basis and produces multiple reports which are sent to the Funds including:

- A report prepared every two (2) hours containing a brief summary of the Managed Account's daily trading activity and profitability;
- A daily report containing a brief summary of the prior day's performance, investment exposure of the Managed Account and the assets at each broker-dealer;
- A monthly report containing detailed information relating to the Managed Account, including the performance, return attribution, and exposure level of the Managed Account; and
- Customized reports.

These reports are conducted and reviewed by LAM's chief risk officer and employees.

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

There are no arrangements, written or otherwise, in which LAM will receive an economic benefit, including sales awards or other prizes, for someone else, providing investment advice or other advisory services to the Fund. Please see Item 12 "Brokerage Practices" above.

#### **Item 15. Custody**

LAM may be deemed to have custody, as defined under Rule 206(4)-2 under the Advisers Act, of funds or securities of the Funds. LAM relies on the "audit exemption" under Rule 206(4)-2(b)(4) under the Advisers Act, which exempts an adviser to a limited partnership, limited liability company or other pooled investment vehicle from the requirement to deliver account statements to its clients if the adviser requires the vehicle to be audited annually by an independent public accountant that is registered with the Public Company Accounting Oversight Board and distributes the audited financial statements annually to the investors in the vehicle. 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.

#### **Item 16. Investment Discretion**

We have broad discretionary authority to manage securities accounts on behalf of the Regular Members/Shareholders who are investors in the Funds. LAM is delegated such authority in the Operating Agreement/Articles and Memorandum of the Onshore and Offshore Funds, respectively. Each Account Advisor has investment discretion over their managed account, subject to the parameters set forth in each of their respective Account Investment Advisory Agreement with the Fund. However, the Account Investment Advisory Agreement generally place investment restriction on each Account Advisor.

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

The Account Manager will, on behalf of and in the name of the Trading Master Fund, have all responsibility with respect to the voting of (including the election not to vote) the securities and other investments in

the Investment Account.

**Item 18. Financial Information**

LAM does not require or solicit prepayment of more than \$1,200 in fees from the Funds or the Trading Master Funds, six months or more in advance, and therefore is not required to provide financial information in this section. LAM has no financial commitments it believes will impair its ability to perform its fiduciary duty to the Funds. LAM and its members have never filed a bankruptcy proceeding.

**Item 19. Requirements for State Registered Advisers**

This Item19 is not applicable.