

Marketocracy Capital Management LLC
Form ADV, Part II

FORM ADV

Uniform Application for Investment Adviser Registration

Part II - Page 1

OMB APPROVAL	
OMB Number:	3235-0049
Expires:	July 31, 2008
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Name of Investment Adviser: Marketocracy Capital Management LLC						
Address:	(Number and Street)	(City)	(State)	(Zip Code)	Area Code:	Telephone Number:
1200 Park Place, Suite 100 San Mateo, CA 94403					650-948-1216	

This part of Form ADV gives information about the investment adviser and its business for the use of clients. The information has not been approved or verified by any governmental authority.

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(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.

Applicant:
Marketocracy Capital Management LLC

SEC File Number:
801- 57974

Date:
February 20, 2007

1. A. Advisory Services and Fees. (check the applicable boxes)

For each type of service provided, state the approximate % of total advisory billings from that service. (See instruction below.)

Applicant:

- | | | | |
|-------------------------------------|--|-----|---|
| <input checked="" type="checkbox"/> | (1) Provides investment supervisory services..... | 100 | % |
| <input type="checkbox"/> | (2) Manages investment advisory accounts not involving investment supervisory services..... | | % |
| <input type="checkbox"/> | (3) Furnishes investment advice through consultations not included in either service described above | | % |
| <input type="checkbox"/> | (4) Issues periodicals about securities by subscription..... | | % |
| <input type="checkbox"/> | (5) Issues special reports about securities not included in any service described above | | % |
| <input type="checkbox"/> | (6) Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities..... | | % |
| <input type="checkbox"/> | (7) On more than an occasional basis, furnishes advice to clients on matters not involving securities | | % |
| <input type="checkbox"/> | (8) Provide a timing service | | % |
| <input type="checkbox"/> | (9) Furnishes advice about securities in any manner not described above..... | | % |

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

B. Does applicant call any of the services it checked above financial planning or some similar term?

Yes No

C. Applicant offers investment advisory services for: (check all that apply)

- | | | | |
|-------------------------------------|--|-------------------------------------|-----------------------|
| <input checked="" type="checkbox"/> | (1) A percentage of assets under management | <input type="checkbox"/> | (4) Subscription fees |
| <input type="checkbox"/> | (2) Hourly charges | <input type="checkbox"/> | (5) Commissions |
| <input type="checkbox"/> | (3) Fixed fees (not including subscription fees) | <input checked="" type="checkbox"/> | (6) Other |

D. For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

2. Types of Clients -- Applicant generally provides investment advice to: (check those that apply)

- | | | | |
|-------------------------------------|-------------------------------------|-------------------------------------|--|
| <input checked="" type="checkbox"/> | A. Individuals | <input checked="" type="checkbox"/> | E. Trusts, estates, or charitable organizations |
| <input type="checkbox"/> | B. Banks or thrift institutions | <input checked="" type="checkbox"/> | F. Corporations or business entities other than those listed above |
| <input checked="" type="checkbox"/> | C. Investment companies | <input checked="" type="checkbox"/> | G. Other (describe on Schedule F) |
| <input checked="" type="checkbox"/> | D. Pension and profit sharing plans | | |

3. Types of Investments. Applicant offers advice on the following: (check those that apply)

- | | |
|---|---|
| <p>A. Equity Securities</p> <p><input checked="" type="checkbox"/> (1) exchange-listed securities</p> <p><input checked="" type="checkbox"/> (2) securities traded over-the-counter</p> <p><input checked="" type="checkbox"/> (3) foreign issuers</p> <p><input checked="" type="checkbox"/> B. Warrants</p> <p><input checked="" type="checkbox"/> C. Corporate debt securities
(other than commercial paper)</p> <p><input checked="" type="checkbox"/> D. Commercial paper</p> <p><input checked="" type="checkbox"/> E. Certificates of deposit</p> <p><input checked="" type="checkbox"/> F. Municipal securities</p> <p>G. Investment company securities:</p> <p><input type="checkbox"/> (1) variable life insurance</p> <p><input type="checkbox"/> (2) variable annuities</p> <p><input checked="" type="checkbox"/> (3) mutual fund shares</p> | <p><input checked="" type="checkbox"/> H. United States government securities</p> <p>I. Options contracts on:</p> <p><input checked="" type="checkbox"/> (1) securities</p> <p><input checked="" type="checkbox"/> (2) commodities</p> <p>J. Futures contracts on:</p> <p><input checked="" type="checkbox"/> (1) tangibles</p> <p><input checked="" type="checkbox"/> (2) intangibles</p> <p>K. Interests in partnerships investing in:</p> <p><input type="checkbox"/> (1) real estate</p> <p><input type="checkbox"/> (2) oil and gas interests</p> <p><input checked="" type="checkbox"/> (3) other (explain on Schedule F)</p> <p><input checked="" type="checkbox"/> L. Other (explain on Schedule F)</p> |
|---|---|

4. Methods of Analysis, Sources of Information, and Investment Strategies.

A. Applicant's security analysis methods include: (check those that apply)

- | | |
|---|--|
| <p>(1) <input checked="" type="checkbox"/> Charting</p> <p>(2) <input checked="" type="checkbox"/> Fundamental</p> <p>(3) <input checked="" type="checkbox"/> Technical</p> | <p>(4) <input checked="" type="checkbox"/> Cyclical</p> <p>(5) <input checked="" type="checkbox"/> Other (explain on Schedule F)</p> |
|---|--|

B. The main sources of information applicant uses include: (check those that apply)

- | | |
|--|---|
| <p>(1) <input checked="" type="checkbox"/> Financial newspapers and magazines</p> <p>(2) <input checked="" type="checkbox"/> Inspections of corporate activities</p> <p>(3) <input checked="" type="checkbox"/> Research materials prepared by others</p> <p>(4) <input checked="" type="checkbox"/> Corporate rating services</p> | <p>(5) <input type="checkbox"/> Timing services</p> <p>(6) <input checked="" type="checkbox"/> Annual reports, prospectuses, filings with the Securities and Exchange Commission</p> <p>(7) <input checked="" type="checkbox"/> Company press releases</p> <p>(8) <input checked="" type="checkbox"/> Other (explain on Schedule F)</p> |
|--|---|

C. The investment strategies used to implement any investment advice to clients include: (check those that apply)

- | | |
|---|---|
| <p>(1) <input checked="" type="checkbox"/> Long term purchases
(securities held at least a year)</p> <p>(2) <input checked="" type="checkbox"/> Short term purchases
(securities sold within a year)</p> <p>(3) <input checked="" type="checkbox"/> Trading (securities sold within 30 days)</p> <p>(4) <input checked="" type="checkbox"/> Short sales</p> | <p>(5) <input checked="" type="checkbox"/> Margin transactions</p> <p>(6) <input checked="" type="checkbox"/> Option writing, including covered options,
uncovered options or spreading strategies</p> <p>(7) <input checked="" type="checkbox"/> Other (explain on Schedule F)</p> |
|---|---|

5. Education and Business Standards.

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients? Yes No

(If yes, describe these standards on Schedule F.)

6. Education and Business Background.

For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- name · formal education after high school
- year of birth · business background for the preceding five years

7. Other Business Activities. (check those that apply)

- A. Applicant is actively engaged in a business other than giving investment advice.
- B. Applicant sells products or services other than investment advice to clients.
- C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

8. Other Financial Industry Activities or Affiliations. (check those that apply)

- A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a: See Schedule F

<input type="checkbox"/> (1) broker-dealer	<input type="checkbox"/> (7) accounting firm
<input checked="" type="checkbox"/> (2) investment company	<input type="checkbox"/> (8) law firm
<input type="checkbox"/> (3) other investment adviser	<input type="checkbox"/> (9) insurance company or agency
<input type="checkbox"/> (4) financial planning firm	<input type="checkbox"/> (10) pension consultant
<input type="checkbox"/> (5) commodity pool operator, commodity trading adviser or futures commission merchant	<input type="checkbox"/> (11) real estate broker or dealer
<input type="checkbox"/> (6) banking or thrift institution	<input type="checkbox"/> (12) entity that creates or packages limited partnerships

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest? Yes No

(If yes, describe on Schedule F the partnerships and what they invest in.)

Applicant: Marketocracy Capital Management LLC	SEC File Number: 801- 57974	Date: February 20, 2007
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9. Participation or Interest in Client Transactions.

Applicant or a related person: (check those that apply)

- A. As principal, buys securities for itself from or sells securities it owns to any client.
- B. As broker or agent effects securities transactions for compensation for any client.
- C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

10. Conditions for Managing Accounts. Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services *and* impose a minimum dollar value of assets or other conditions for starting or maintaining an account?

Yes No

(If yes, describe on Schedule F.)

11. Review of Accounts. If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

- A. Describe below the reviews and reviewers of the accounts. **For reviews**, include their frequency, different levels, and triggering factors. **For reviewers**, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

Applicant, Marketocracy Capital Management LLC ("MCM"), reviews each portfolio of its registered investment company clients (each a "Fund") and of the pooled investment vehicles ("Pools") on a daily basis. MCM reviews the portfolios of its separately managed account ("SMA") clients not less frequently than on a quarterly basis. Kendrick W. Kam, MCM's President and sole portfolio manager, performs the review of each client's portfolio or account.

- B. Describe below the nature and frequency of regular reports to clients on their accounts.

Funds receive daily reports on the status of its account, including account balances and trading activity as well as quarterly reports appropriate for registered investment companies. Other clients, e.g., a Pool or SMA client, receive reports on the status of its account, including account balances and trading activity, but on a less frequent basis, e.g., monthly or quarterly, as set forth in the investment advisory agreement for each client.

Applicant: Marketocracy Capital Management LLC	SEC File Number: 801- 57974	Date: February 20, 2007
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12. Investment or Brokerage Discretion.

A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:

- | | | |
|--|---|-----------------------------|
| (1) securities to be bought or sold? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (2) amount of the securities to be bought or sold? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (3) broker or dealer to be used? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| (4) commission rates paid? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |

B. Does applicant or a related person suggest brokers to clients?

Yes No

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for products and research services received.

13. Additional Compensation.

Does the applicant or a related person have any arrangements, oral or in writing, where it:

- | | | |
|---|---|-----------------------------|
| A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
| B. directly or indirectly compensates any person for client referrals? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> |
- (For each yes, describe the arrangements on Schedule F.)

14. Balance Sheet. Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities (unless applicant is registered or is registering only with the Securities and Exchange Commission); or
- requires prepayment of more than \$500 in fees per client and 6 or more months in advance

Has applicant provided a Schedule G balance sheet? Yes No

**Schedule F of
Form ADV
Continuation Sheet for Form ADV Part II**

Applicant: Marketocracy Capital Management LLC	SEC File Number: 801- 57974	Date: February 20, 2007
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Marketocracy Capital Management LLC	IRS Empl. Ident. No.: Not applicable
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Item of Form (identify)	Answer
Items 1.A; 1.C; 1.D; 2; 8.C & 8.D. Advisory Services and Fees; Types of Clients & Other Financial Industry Activities or Affiliations	<p>Applicant, Marketocracy Capital Management LLC ("MCM"), currently provides discretionary portfolio advisory services to (i) investment companies registered under the Investment Company Act of 1940, as amended (the "Company Act"), including Marketocracy Funds (the "Trust"), whose series are mutual funds (each series advised by MCM, a "Fund" and collectively, together with any subsequently added series of the Trust that are advised by MCM, the "Funds"); (ii) private pooled investment vehicles (each a "Pool"); and (iii) separately managed accounts ("SMAs"). Such services are provided in accordance with each Fund's, Pool's or SMA's objectives as outlined in (i) each such Fund's or Pool's prospectus and statement of additional information or offering memorandum, respectively, and in accordance with MCM's investment management agreement with each such client, or (ii) each SMA's managed account agreement.</p> <p>For its services provided the Trust and each Fund, MCM is paid a management fee equal to 1.50% per annum of the average daily net assets of each Fund, payable and computed at the end of each month. In addition, MCM's investment management agreement with each Fund requires MCM to waive its management fee, and if necessary, reimburse expenses of the Fund to the extent necessary to limit each Fund's total annual operating expenses to 1.95% of each Fund's average daily net assets up to \$200 million, 1.90% of such assets from \$200 million to \$500 million, 1.85% of such assets from \$500 million to \$1 billion, and 1.80% of such assets in excess of \$1 billion. Upon termination of a Fund investment advisory agreement, fees are pro rated based on the number of days in the month in which the agreement terminated.</p> <p>Each Pool pays MCM a base management fee equal to 0.1875% of each Pool investor's capital account payable on the last day of each calendar quarter. For Pool capital accounts of \$10,000,000 or more, the Pool pays MCM 0.125% of the Pool investor's capital account payable on the last day of the calendar quarter. At the end of each calendar quarter, the Pool pays MCM an incentive management fee selected by each Pool investor at the time of investing in the Pool: (i) 20% of any positive difference ("Difference") in performance of the Fund versus the S&P 500 Index, if any, with the quarterly Difference determined after deducting the base management fee or (ii) 20% of the excess of the Fund's performance over a 1% annual return.</p> <p>An SMA client generally pays MCM a management fee at the annual rate of 1.50% of the average daily net assets of the SMA (excluding for such purposes any SMA assets invested in a Fund -- the remaining balance, "Daily Assets") up to \$500,000, 1.30% of Daily Assets above \$500,000 up to \$1,000,000, 1.10% of Daily Assets above \$1,000,000 up to \$3,000,000 and 1.00% of Daily Assets above \$3,000,000.</p> <p>Certain SMA clients also may invest in Pools, but MCM generally does not solicit clients to invest in Pools unless such client is a "qualified client" as described in Rule 205-3(d)(1) under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). See Item 10 below.</p> <p>MCM's fees (i) are payable in arrears; (ii) upon termination are (a) for non-performance fees, pro rated based on days elapsed and (b) for performance fees, based on performance since the last determination of performance fees; and (iii) are negotiable (but generally only for accounts greater than \$750,000).</p>
Items 3.I; 3.J & 3.K Types of Investments	<p>MCM does not invest in physical commodities unless acquired as a result of ownership of securities or other instruments. However, MCM may invest in options, futures contracts and other derivative instruments or securities backed by physical commodities. MCM also offers advice regarding investments in closed-end investment companies and unit investment trusts such as exchange traded funds ("ETFs").</p>

Schedule F of Form ADV
Continuation Sheet for Form ADV Part II

Applicant: Marketocracy Capital Management LLC	SEC File Number: 801- 57974	Date: February 20, 2007
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Marketocracy Capital Management LLC		IRS Empl. Ident. No.: Not applicable
Item of Form (identify)	Answer	
Items 4.A.(5); 4.B(8); 4.C(7); 8.C & 8.D Methods of Analysis, Sources of Information, and Investment Strategies, & Other Financial Industry Activities or Affiliations	<p>MCM and Marketocracy Data Services LLC, a financial publisher ("MDS"), are wholly owned subsidiaries of Marketocracy, Inc. ("Parent"). Through MDS, Parent operates a World Wide Web Internet site, Marketocracy.com® (the "Site"). MDS operates the Site seeking to identify members who can achieve superior and verifiable (simulated) investment performances. The Site's over 65,000 members have created and managed over 100,000 model portfolios. Each such model portfolio is a sophisticated <i>computer simulation</i> of an equity mutual fund portfolio managed by a Site member, <i>i.e.</i>, it is a <i>hypothetical</i> portfolio. The Site's members use these model portfolios to show how they might perform in managing real (rather than hypothetical) equity mutual funds and to establish their verifiable and easily comparable (simulated) investment performance records.</p> <p>For each member's model mutual fund portfolio(s), the Site automatically provides all of the portfolio accounting and other support services that would be necessary to operate an actual mutual fund. The Site also offers its members professional investment tools that allow the members to analyze the performances of their model mutual fund portfolios and accurately compare those performances with the portfolio performances of other members, professional investors and actual mutual funds, all on a consistent basis and in accordance with investment company industry requirements and practices.</p> <p>In buying and selling securities for its clients, MCM generally uses information regarding the hypothetical investments and performances of certain of the model portfolios maintained on Site. MDS collects and publishes various data and statistics about certain "top-ranked" portfolios on the Site for its subscribers, including MCM. MDS's proprietary ranking methodology assesses long and short-term model portfolio performances as well as other factors, including the specific contributions that market, sector, style, and trading factors make to those performances. MDS uses this ranking methodology to identify Site members whose model portfolios demonstrate superior long- and short-term (simulated) stock-picking skill and whose investing style is successful in the prevailing securities market environments. Because no single investment style works at all times and in all circumstances, however, MDS repeats its ranking process periodically to quickly replace lagging "top-ranked" performers with leading performers. MDS provides information for all of these "top-ranked" model portfolios to MCM. In managing clients' portfolios, MCM may use a smaller subsets of these "top-ranked" model portfolios that MDS has ranked the highest for performance and may not choose all of the investments in all of the "top-ranked" model portfolios. In managing certain clients' accounts, MCM may use information from only one "top ranked" model portfolio. For every client, however, MCM retains sole discretion to use or not use any information regarding any "top-ranked" portfolio.</p>	
Items 6 & 8 Education and Business Background & Other Financial Industry Activities and Affiliations	<p>Kendrick W. Kam is MCM's sole portfolio manager. Since March 23, 2005, Mr. Kam has served as President and sole Manager of MCM. Prior to this time, Mr. Kam served as Vice President-Investments since July 2001. Mr. Kam was born on June 8, 1960, received his B.S.C. Finance from the University of Santa Clara in 1982 and received his M.B.A., Marketing from the Stanford Graduate School of Business in 1986. From July 2000 to March 2002, Mr. Kam was President and sole Manager of MCM. From August 1999 to the present, Mr. Kam has also been President and a director of Parent. From July 1999 to the present, Mr. Kam also has been President and Trustee of the Trust. From July 1999 to the present, Mr. Kam has been portfolio manager for the Funds and also President and sole manager and member of Ingenuity Capital Management LLC, a registered investment adviser that served as the investment adviser</p>	

Complete amended pages in full, circle amended items and file with execution page (page 1).

**Schedule F of
Form ADV
Continuation Sheet for Form ADV Part II**

Applicant: Marketocracy Capital Management LLC	SEC File Number: 801- 57974	Date: February 20, 2007
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Marketocracy Capital Management LLC	IRS Empl. Ident. No.: Not applicable
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Item of Form (identify)	Answer
Items 6 & 8 (continued)	to a former series of the Trust. From 1993 to 1999, Mr. Kam served as President of Interactive Research Advisers, Inc., the investment adviser for Firsthand Funds, a registered investment company, for whom Mr. Kam also served as a portfolio manager. From 1988 to 1992, Mr. Kam served as Vice President, Finance and Marketing, for Novoste Corp., a medical device company.
Items 9.D & 9.E Participation or Interest in Client Transactions	<p>Certain SMA clients may instruct MCM to invest a portion of SMA assets in shares of a Fund for which MCM serves as investment advisor and administrator. To avoid duplicate investment advisory and administration fees, MCM does not receive an SMA management fee for any SMA assets so invested in Fund shares.</p> <p>MCM and its related persons from time to time may buy or sell securities that MCM also recommends to clients. However, neither MCM nor its related persons buy securities from, or sell securities to, clients. While MCM and its related persons are permitted to trade in the same stock as MCM's clients, such trades are subject to restrictions that to prevent the use of inside information and conflicts of interest pursuant to MCM's Code of Ethics, which include policies and procedures applicable to all of its employees designed to prevent insider trading and certain additional policies and procedures applicable to certain related persons who are "access persons," e.g., portfolio managers, having a higher degree of knowledge about client portfolios and transactions. For example, most personal trades require written pre-approval and except in the case of block trading, such persons may not knowingly purchase a security within one day of MCM's trades in that same security for a client (except securities of companies with a market capitalization of \$1 billion or more). Copies of MCM's Code of Ethics are provided to MCM's employees. See also Items 12 and 13 below regarding MCM's discretion in selecting broker-dealers and "soft dollars."</p>
Item 10 Conditions for Managing Accounts	<p>See Item 2 regarding clients who invest in Pools. Such clients must be "qualified clients" within the meaning of Rule 205-3(d)(1) under the Advisers Act, which include investors who each have at least \$750,000 invested in the Pool and otherwise under management with MCM or have a net worth of \$1,500,000 upon becoming an investor in a Pool.</p> <p>SMA clients must have at least \$10,000 of SMA assets under management by MCM. In addition, certain SMA clients must select and direct MCM to use one or more specific broker-dealers to effect all portfolio transactions for such SMA client (each a "Discretionary Brokerage Client" or "DB Client"), including DB Clients who so direct MCM so that the DB Client may obtain access to one or more broker-dealers' brokerage, trading and/or portfolio management platform(s) through which MCM may manage the portfolio(s) in such DB Client's brokerage account(s). See Items 12 and 13 below.</p>
Items 12 Investment or Brokerage Discretion	MCM's authority to determine, without obtaining specific client consent, (i) the securities to be bought or sold, (ii) the amount of the securities to be bought or sold, (iii) the broker-dealer to be used, and (iv) the commission rates paid, is limited by the terms of the investment management agreements entered into between MCM and each client, which generally provide that MCM has full discretion with respect to the matters described in clauses (i) through (iv) above and, in the case of a Fund, by the parameters of the prospectus and statement of additional information of such Fund and in the case of a Pool, the similar offering documents for the Pool.

**Schedule F of
Form ADV
Continuation Sheet for Form ADV Part II**

Applicant: Marketocracy Capital Management LLC	SEC File Number: 801- 57974	Date: February 20, 2007
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Marketocracy Capital Management LLC	IRS Empl. Ident. No.: Not Applicable
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Item of Form (identify)	Answer
Item 12 Investment or Brokerage Discretion (continued)	<p>Except as described below for DB Clients, in selecting broker-dealers to effect portfolio transactions for clients, MCM will allocate such transactions to such broker-dealers for execution on such markets, at such prices and at such commission rates (which may be in excess of the prices or commission rates that might have been charged for execution on other markets or by other broker-dealers) as in the good faith judgment of MCM are appropriate. MCM takes into consideration in the selection of such broker-dealers not only the available prices and rates of brokerage commissions, but also other relevant factors, which may include (without limitation) the: (i) size of the transaction, (ii) timing of the transaction, (iii) nature of the market for the security, including the effect of the proposed transaction on such market, (iv) risks in positioning a block transactions, (v) execution capabilities of the broker-dealer, including operational facilities and presence in the market for the security, (vi) reputation, experience and financial stability of the broker-dealer involved, and (vii) quality of service rendered by the broker-dealer in other transactions. Also, MCM considers compares commissions to investment management industry averages.</p> <p>MCM may cause a client's account to pay a broker-dealer an amount of commission for effecting a transaction for the client's account in excess of the amount of commission another broker-dealer would have charged for effecting that transaction if MCM determines in good faith that the amount of commission is reasonable in relation to the value of the brokerage and research services provided by the broker-dealer, viewed in terms of either the particular transaction or MCM's overall responsibilities with respect to the accounts as to which MCM exercises investment discretion.</p> <p>If a DB Client directs MCM to use a specific broker-dealer (<i>e.g.</i>, in order for the client to receive cash rebates, products, services, expense payments or expense reimbursements from the broker-dealer, including without limitation, access by the DB Client to one or more broker-dealers' brokerage, trading and/or portfolio management platform(s) through which MCM may manage the portfolio(s) in such DB Client's brokerage account(s) with such broker-dealer(s)), MCM will not negotiate the terms and conditions (including, but not limited to, commission rates) relating to the services provided by such broker-dealer. By so directing MCM, the DB Client expressly will be acknowledging and agreeing that MCM would not have any responsibility for obtaining for the DB Client from any such broker-dealer the execution, including without limitation the best prices or any particular commission rates, with or through any such broker-dealer and that the DB Client may not be obtaining rates as low as it might otherwise obtain if MCM had discretion to select broker-dealers other than those chosen by the DB Client. In general, MCM receives no soft dollar credits for DB Client portfolio transactions through the broker-dealer selected by the DB Client.</p>
Item 13.A Additional Compensation ("Soft Dollars")	<p>In addition to execution quality, MCM may consider the value of various products and services a broker-dealer may provide to MCM. Selecting a broker-dealer in recognition of services or products other than simply transaction execution is known as paying for those services or products with "soft dollars." Because many of those services could be considered to provide some benefit to MCM and its affiliates, and because the "soft dollars" generated by the clients' securities transactions and used by MCM to acquire the benefits will be assets of MCM's clients, MCM could be considered to have a conflict of interest in allocating client brokerage business. That is, MCM could receive valuable benefits by selecting a</p>

**Schedule F of
Form ADV
Continuation Sheet for Form ADV Part II**

Applicant: Marketocracy Capital Management LLC	SEC File Number: 801- 57974	Date: February 20, 2007
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(Do not use this Schedule as a continuation sheet for Form ADV Part I or any other schedules.)

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: Marketocracy Capital Management LLC	IRS Empl. Ident. No.: Not Applicable
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Item of Form (identify)	Answer
Item 13A Additional Compensation ("Soft Dollars") (continued)	<p>particular broker-dealer to execute client transactions, and the transaction compensation charged by that broker-dealer might not be the lowest compensation MCM might otherwise be able to negotiate. In addition, MCM could have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal in order to generate brokerage compensation with which to acquire products and services.</p> <p>Except as described below, MCM will make decisions involving "soft dollars" in a manner that satisfies the requirements of the "safe harbor" provided by Section 28(e) of the Securities Exchange Act of 1934, as amended. That is, before placing orders with a particular broker-dealer, MCM will generally determine, considering all the factors described in the discussions relating to Items 12 and 13, that the commissions to be paid are reasonable in relation to the value of all the brokerage and research products and services provided by that broker-dealer. In making that determination, MCM may consider not only the particular transaction or transactions, and not only the value of brokerage and research services and products to a particular client, but also the value of those services in MCM's performance of its overall responsibilities to all of its clients. In some cases, the commissions charged by a particular broker-dealer for a particular transaction or set of transactions may be greater than the amounts another broker-dealer who did not provide research services or products might charge. In some cases, a client's transactions may be executed by a broker-dealer in recognition of services or products that are not used in managing that client's account, <i>i.e.</i>, "cross-subsidization," on the management of one client's account by the transactions of another client. MCM may use "soft dollars" generated by the transactions of clients (other than registered investment companies) to pay for office rent, salaries of personnel, and general office expenses of its investment management business.</p> <p>In addition to the factors described above, for clients (other than registered investment companies), MCM may select a broker-dealer to execute transactions in recognition of that broker-dealer's referral of clients, or in anticipation of future referrals. As with soft dollar payments for research or other services or products, in some cases the transaction compensation paid in connection with such a selection might be higher than that obtainable from another broker-dealer who did not provide (or undertake to provide) referrals. However, MCM will always seek "best execution" except to the extent limited by client instructions, including instructions by DB Clients. Awarding transaction business to broker-dealers in recognition of past or future referrals may involve an incentive for MCM to cause clients (other than registered investment companies) to effect more transactions than they might otherwise do in order to stimulate more referrals.</p>
Item 13.B Additional Compensation ("Client Referrals")	<p>MCM pays cash or a portion of the advisory fees paid by clients, including SMA clients, referred to MCM by certain persons, generally registered investment advisers, who also perform certain administrative services for MCM in respect of such referred clients' accounts (each such referring person a "Services Provider"). This practice is disclosed in writing to each client referred by the Services Provider in compliance with the requirements of Rule 206(4)-3 under the Advisers Act.</p>