

**Item 1: Cover Page**

**SKYBRIDGE CAPITAL II, LLC**

**DISCLOSURE BROCHURE**

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**This brochure provides information about the qualifications and business practices of SkyBridge Capital II, LLC. If you have any questions about the contents of this brochure, please contact us at (212) 485-3100 or [mnoble@skybridgecapital.com](mailto:mnoble@skybridgecapital.com). The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any state securities authority.**

**Additional information about SkyBridge Capital II, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

SkyBridge Capital II, LLC is an investment adviser registered with the SEC. Registration with the SEC does not imply a certain level of skill or training.

**Item 2: Material Changes**

In addition to ordinary course annual updates, this brochure has been amended to provide information concerning additional investment management services provided by SkyBridge Capital II, LLC to Clients and Accountholders (as defined below), in particular to address the provision of direct hedge fund investment management services, which is in addition to fund-of-funds investment management services provided by SkyBridge Capital II, LLC. In addition, this brochure has been amended to reflect the resignation of Scott Prince as a Managing Partner of SkyBridge Capital II, LLC.

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#### **Item 4: Advisory Business**

SkyBridge Capital II, LLC ("SkyBridge") is an alternative investment management firm that provides discretionary and non-discretionary investment management and advisory services, together with investment management products, to Clients and Accountholders (as defined below). These services and products include hedge fund investment management and advisory services, commingled products which are primarily funds-of-hedge funds but also direct trading hedge funds, custom investment portfolios and hedge fund "seeding" funds.

SkyBridge has been providing investment management and advisory services to Clients and Accountholders since July 2008, including by way of an assignment of certain investment management contracts from its affiliate, SkyBridge Capital LLC, as of June 1, 2009, and a further assignment of certain investment management and advisory contracts from Citigroup Alternative Investments LLC ("CAI") as of June 30, 2010 as part of the acquisition by SkyBridge of CAI's Hedge Fund Management group (the "HFM Group"). SkyBridge's predecessor, SkyBridge Capital LLC, began providing investment management and advisory services to Clients and Accountholders beginning in November 2005. SkyBridge is principally owned by managing partners Anthony Scaramucci and Raymond Nolte. In connection with the formation of SkyBridge, entities affiliated with Challenger Financial Services Group Ltd., a financial services company listed on the Australian stock exchange ("Challenger"), were granted a minority equity interest in SkyBridge and certain of its affiliates. SkyBridge managed approximately \$2.99 billion for Clients on a discretionary basis as of November 30, 2011 and advised on approximately \$2.79 billion of assets for Accountholders on a non-discretionary basis as of November 30, 2011.

SkyBridge's team of professionals coordinates a global network of partners in sourcing hedge fund managers and providing business-building and investment-support services from its headquarters in New York. SkyBridge manages SkyBridge Capital Partners, L.P.; SkyBridge Capital (Cayman) Ltd.; SkyBridge Capital II (Cayman) Ltd.; SkyBridge Capital Partners II, L.P.; SkyBridge Capital II (Offshore) Fund, L.P.; SkyBridge Capital II Master, L.P.; SkyBridge Multi-Adviser Hedge Fund Portfolios LLC; SkyBridge G II Fund, LLC; Legion Strategies, Ltd.; SkyBridge Quantitative Equity Driven Fund, L.P.; SkyBridge Hedge Fund Partners, LLC; and SkyBridge Hedge Fund Partners, L.P. (collectively, the "SkyBridge Funds"). SkyBridge Funds include investment funds registered under the Investment Company Act of 1940 (each, a "40 Act Fund").

SkyBridge also manages several separately managed accounts ("Managed Accounts") for institutions and high net worth individuals and provides non-discretionary investment advisory services to select institutions ("Accountholders") (including plans subject to the Employee Retirement Income Security Act of 1974 ("ERISA")).

The SkyBridge Funds and the Managed Accounts (collectively, "Clients") are primarily funds-of-funds, meaning they invest in hedge funds ("Investment Funds") managed by third-party investment managers that SkyBridge has identified (each, an "Investment Manager") and/or the Investment Managers themselves. SkyBridge also provides non-discretionary investment advice to Accountholders with respect to investments in Investment Funds. An important part of SkyBridge's business involves investing in, or "seeding," Investment Funds managed by start-up and early stage Investment Managers. SkyBridge seeks to identify for the SkyBridge "seeding" Funds Investment Managers willing to provide enhanced economic rights and other benefits in exchange for early capital investments. SkyBridge may also structure SkyBridge Funds and Managed Accounts as direct trading vehicles (in contrast to funds-of-funds), where SkyBridge formulates and executes upon trading and investment advice in its capacity as investment manager to the vehicle, including through the use of sub-investment advisers. As a matter of

policy, SkyBridge's investment funds and custom investment portfolios will not invest in Investment Funds that have been "seeded" by a SkyBridge "seeding" Fund or in SkyBridge Funds.

On an ongoing basis, SkyBridge reviews the activity in and investment results of the SkyBridge Funds, its Managed Accounts and, to the extent requested, accounts of Accountholders. SkyBridge also periodically consults with Clients and Accountholders to update financial information and investment objectives and to determine whether any changes to investment restrictions typically contained in investment management agreements between Clients and SkyBridge are appropriate. Any restrictions that a Client or Accountholder imposes on the management of an account may cause SkyBridge to deviate from investment decisions it would otherwise make in managing the account.

Generally, affiliates of SkyBridge or independent third parties act as the general partner or managing member of those SkyBridge Funds structured as limited partnerships or limited liability companies. Those SkyBridge Funds structured as corporations are serviced by majority or exclusively independent boards of directors.

#### **Item 5: Fees and Compensation**

SkyBridge is compensated by a combination of fees received from several sources.

SkyBridge receives from the SkyBridge Funds a management fee based on assets under management and, for some, an additional performance fee or allocation determined as a percentage of profits, with some performance fees or allocations determined after a hurdle is exceeded and subject to a "high water mark". The amounts of such fees and allocations are described in detail in the offering documents for the SkyBridge Funds, and generally range from .85% to 2.0% per annum of assets under management or a negotiated fixed fee in respect of the asset-based fees and from 0% to 20% of profits in respect of performance fees or allocations. Investors in the SkyBridge Funds bear their pro rata portions of such fees and allocations. Such fees and allocations are non-negotiable. In certain cases, SkyBridge may agree to waive part or all of the asset-based fee, or reimburse the SkyBridge Fund in a corresponding amount, to the extent necessary to prevent the SkyBridge Fund's ordinary expenses from exceeding an agreed amount.

SkyBridge receives from the Managed Accounts a management fee based on assets under management and, for some, an additional performance fee determined as a percentage of profits, generally being subject to a "high water mark". The amount of such fees are set forth in the Investment Advisory Agreements for the Managed Accounts and currently range from .95% to 1.5% per annum of assets under management in respect of the asset-based fees, and from 0% to 10% of profits in respect of performance fees.

In connection with SkyBridge's acquisition of the HFM group in 2010, SkyBridge agreed to continue to provide non-discretionary investment advisory services to certain Accountholders previously advised by and/or affiliated with CAI. For those services, SkyBridge receives a negotiated flat fee, which fee may vary based on assets under management of the Accountholder. An Accountholder investment advisory contract may be renewed by agreement of both parties. Should SkyBridge provide non-discretionary investment advisory services to an Accountholder not previously advised by and/or affiliated with CAI, its fee would typically be based on the Accountholder's assets under management. SkyBridge currently expects that fee to range from .10% to .75% per annum although such fees would be negotiable in individual cases.

SkyBridge may in the future charge other types of fees and use different fee structures, including variations of performance or incentive fees and allocations.

With respect to both SkyBridge Funds and Managed Accounts, management fees are typically billed monthly or quarterly in advance based on the amount of Client assets under management. In the case of SkyBridge Funds, such amounts are paid indirectly by investors on a pro rata basis as a fund expense. Fees will be prorated for any beginning or ending period of a contract that is less than a full billing period. An initial fee will be calculated as of the date that SkyBridge accepts an individual client agreement between the Managed Account Client and SkyBridge (a “Client Agreement”) or enters into an investment agreement with a SkyBridge Fund or Accountholder. This initial fee will cover the period from the date on which the agreement is accepted until the last day of the initial billing period. The quarterly fees will be billed to each Client as they become due and payable. Accountholders typically pay the flat fee monthly or quarterly in advance.

Custodians (including banks or registered broker-dealers) will be used to facilitate the management of Client assets. (Please refer to Item 15 for additional information about custody of Client assets.) The cost of these services is not included in the management fees described above. Clients, directly in the case of Managed Accounts and indirectly in the form of Fund expenses in the case of SkyBridge Funds, will be responsible for paying any such additional costs charged by custodians. The management fees charged by SkyBridge also do not include the amount of any costs, expenses or commissions that a broker or dealer may charge in connection with transactions executed on behalf of Client accounts (see Item 12 below). In addition, a custodian or registered broker may impose certain costs or charges associated with servicing Client accounts, such as margin interest, costs relating to exchanging foreign currencies, odd lot differentials, regulatory fees (*e.g.*, fees charged by the Securities and Exchange Commission (“SEC”)) transfer taxes, exchange fees, wire transfer fees, postage fees, auction fees, foreign clearing, settlement and custodial fees, and other fees or taxes required by law. SkyBridge’s fees also do not cover “mark-ups” and “mark-downs” that broker-dealers may receive, “dealer spreads” that broker-dealers may receive when acting as principal in certain transactions, the amount of any annual retirement plan fees or the fees and expenses a Client may incur as a shareholder of, or investor in, a third-party fund.

If a Client Agreement or investment management or advisory agreement is terminated by the Client, the Accountholder or SkyBridge within five business days after the agreement is executed by both parties and dated executed copies are received by both parties, SkyBridge will fully refund any fees paid. If such an agreement is terminated by either the Client, the Accountholder or SkyBridge more than five business days after the agreement is executed by both parties and dated executed copies are received by both parties, SkyBridge will typically be entitled to fees earned through the effective date of termination, or such longer period as may be agreed by the parties, and will provide the Client or Account with a refund, if any, of any additional fees paid in advance. Refunds are based on the number of days remaining in the calendar quarter after the date upon which notice of termination is received by SkyBridge, the Client or the Accountholder, as applicable.

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

Currently, all SkyBridge Funds and Managed Accounts are charged by SkyBridge a combination of asset-based and/or performance fees or allocations which may be subject to waiver at SkyBridge’s discretion, while for non-discretionary accounts, SkyBridge typically receives a negotiated flat fee. SkyBridge may, in the future, charge other types of fees and use different fee structures. The charging of performance-based fees and allocations may give SkyBridge a reason to select investments for clients that are riskier or more speculative than it would select if it were not entitled to performance-based fees and allocations.

Potential conflicts of interest may arise from SkyBridge’s management of SkyBridge Funds, Managed Accounts and other accounts. For example, conflicts of interest may arise with the allocation of limited investment opportunities. Allocations of investment opportunities generally could raise a potential

conflict of interest to the extent that SkyBridge may have an incentive to allocate investments that are expected to increase in value to preferred accounts.

SkyBridge seeks to allocate investment opportunities to its Clients, and otherwise to treat all of its Clients, in a manner that is fair and equitable to all Clients. SkyBridge has adopted policies and procedures that address parameters to be considered in allocating investment opportunities and SkyBridge's time. Additionally, SkyBridge's Portfolio Allocation Committee meets regularly to review allocation decisions and to determine their consistency with SkyBridge's policies and procedures. All investment decisions are also subject to periodic review by SkyBridge's Chief Compliance Officer ("CCO").

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

SkyBridge provides discretionary investment advice to SkyBridge Funds and Managed Accounts of institutions and high net worth individual investors, and non-discretionary investment advice to select institutional Accountholders, including in both cases ERISA accounts. SkyBridge Funds generally require minimum investments that range from \$25,000 to \$25 million depending upon the SkyBridge Fund and share class, while SkyBridge generally requires that Managed Accounts have a minimum capital investment of \$20 million.

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

### *Methods of Analysis and Investment Strategies*

Funds-of-Funds. SkyBridge evaluates Investment Managers based on qualitative and quantitative factors to seek to identify Investment Managers that have shown the ability to generate consistent skill-based returns (alpha) over time, while showing the ability to preserve capital by controlling draw-downs. SkyBridge initially assesses an Investment Manager through a combination of discussions, reviews of materials provided by the Investment Manager and on-site visits to the Investment Manager's place of business. Once an Investment Manager has successfully passed the initial assessment, SkyBridge conducts a comprehensive due diligence review of the Investment Manager, which includes the following components:

- Investment Analysis. SkyBridge combines qualitative and quantitative analyses intended to develop an understanding of an Investment Manager's ability to generate returns. These analyses focus on an Investment Manager's investment team, investment process, risk management and performance. An Investment Manager's performance track record is examined for consistency and draw-down (i.e., loss) control versus a peer group of Investment Funds. In doing so, SkyBridge analyzes the Investment Manager's historical performance returns including its historical distribution of returns and draw-downs and relevant risk ratios and metrics.
- Operational and Business Risk Analysis. SkyBridge's operational risk team employs a disciplined process intended to assess an Investment Manager's ability to operate efficiently. The key components of this analysis include, but are not limited to, a review of key principals, organizational structure and terms of Investment Funds, mid/back office operations, valuation process, accounting practices, internal controls and procedures, disaster recovery plan and anti-money laundering policies.

SkyBridge has access to a number of hedge fund databases as well as market information sources. In addition, SkyBridge has an active research program with internal analysts who specialize in various strategies. Specific sources for new Investment Managers include industry contacts, referrals from

existing Investment Managers, third-party databases, direct solicitations by Investment Managers and third-party marketing firms, and introductions from prime brokers and industry conferences. SkyBridge receives information from a large number of Investment Funds each year. SkyBridge meets with a diversified cross-section of these Investment Funds each year, but allocates assets to only a fraction of them. SkyBridge continually looks to add to the pool of eligible Investment Funds that meet its due diligence requirements. This allows SkyBridge to rank and compare fund peers, which helps to facilitate the replacement of under-performing Investment Managers as well as identify attractive alternatives and new strategies.

SkyBridge's personnel have experience and expertise with alternative investment strategies and Investment Managers and have evaluated numerous Investment Funds representing many categories of alternative investments, utilizing various investment strategies. They also have extensive experience in directly managing alternative investment strategies. SkyBridge believes that this combination of evaluation expertise and direct investment experience enables it to understand the opportunities and risks associated with investing in the Investment Funds.

Once an Investment Manager has been added to the portfolio of a SkyBridge Fund or Managed Account, the terms of the investment will generally require that the Investment Manager provide SkyBridge with periodic reports and other information that will allow SkyBridge's Investment Committee to monitor, among other things, the Investment Manager's compliance with investment guidelines and adherence to style parameters, and certain risk metrics associated with the Investment Fund's portfolio. To the extent investment guidelines are agreed with a SkyBridge Fund, any breach, including the incurrence of unacceptable levels of risk based upon the expectations of SkyBridge, will result in action being taken by SkyBridge. Depending upon the severity of the breach or other issues or concerns, SkyBridge's Investment Committee's actions will range from the initiation of a discussion with the Investment Manager to the withdrawal of the SkyBridge Fund's investment capital, subject to lock-up provisions and early exit rights. Poor performance or lagging infrastructure may result in similar actions.

Subject to the asset coverage requirements of the 1940 Act in the case of the '40 Act Fund, SkyBridge may employ leverage in order to fund repurchases of a SkyBridge Fund shares or for other purposes. This is in addition to the leverage used by individual Investment Funds. Leverage, whether employed by a SkyBridge Fund or underlying Investment Funds, has the effect of increasing returns or losses, as well as volatility. SkyBridge may increase or decrease the degree of leverage employed by a SkyBridge Fund at any time, but will have no control over leverage employed by an Investment Fund other than with respect to any predetermined leverage limits that may have been agreed to by the Investment Fund.

#### Fund-of-Funds Products Investment Manager Selection

SkyBridge selects opportunistically from a wide range of Investment Funds in order to create a portfolio of such Funds while seeking to identify attractive investment strategies and Investment Managers. SkyBridge does not generally seek to invest the assets of any such account according to pre-determined allocations. SkyBridge generally allocates assets to Investment Funds following a wide variety of investment strategies, resulting in an asset mix held by the Investment Funds that may from time to time include, without limitation, currencies, commodity futures and options, non-U.S. dollar denominated instruments, short-term instruments (including U.S. Treasury securities and certificates of deposit), sovereign debt, public and privately placed (unlisted) equity, equity-related and debt securities of U.S. and non-U.S. corporations, and investments in other investment funds.



### SkyBridge “Seeding” Funds Investment Manager Selection

SkyBridge employs a structured process for evaluating potential Investment Managers in connection with the launch of SkyBridge “seeding” funds. In line with the process described above, SkyBridge will conduct an initial review of Investment Managers for potential “seeding” arrangements based on strategy, expertise and professional pedigree. The initial review will assess the viability of a potential Investment Manager’s strategy and investment team. After the initial review, approximately 30 Investment Managers per year will be selected for an in-depth quantitative and qualitative review for the SkyBridge “seeding” Funds. Finally, SkyBridge will select approximately 4-8 Investment Managers per year for investment negotiations.

### Direct Trading SkyBridge Funds

As a matter of policy and practice, SkyBridge’s investment decision-making process generally involves thorough fundamental research regarding a prospective investment. SkyBridge must make a reasonable inquiry into each Client’s financial situation, investment experience, investment objectives and tolerance for risk. SkyBridge must conduct a reasonable amount of due diligence prior to purchasing or selling any security, and the amount of diligence generally will increase with the complexity and uniqueness of the security. SkyBridge may determine that it is advisable to retain an affiliated or unaffiliated investment manager to act as a sub-adviser for an account. In this event, SkyBridge is responsible for conducting adequate due diligence to confirm that the sub-adviser has the necessary qualifications and experience to carry out its responsibilities under the proposed sub-advisory agreement. SkyBridge is responsible for confirming that the sub-adviser is aware of any investment instructions or restrictions, suitability requirements, or applicable SkyBridge Fund documents. After a sub-adviser is retained, SkyBridge must periodically (but no less frequently than annually) review the performance and continued qualification of the sub-adviser to determine whether or not the investment manager should continue to act in a sub-advisory capacity.

On a periodic basis, the portfolio manager responsible for a direct trading SkyBridge Fund will review the Fund’s investments for consistency with stated strategies, objectives, guidelines and risk. SkyBridge endeavors to prevent “style drift,” or the pursuit of strategies outside those contemplated by the offering materials. It should be noted that style drift can occur intentionally by purchasing securities outside of stated strategies or guidelines or unintentionally through redemptions, illiquidity, or other market factors. The subsequent investment monitoring and asset management processes, which are designed to ensure the timely and successful execution of the investment strategy, involve periodic reviews of valuation parameters, investment performance, and disposition opportunities.

### *Material Risks*

Investments made in the SkyBridge Funds or Managed Accounts, or by Accountholders, involve significant risks. Prospective investors, Clients and Accountholders should carefully consider, among other factors, the risks described below. Such risk factors are not meant to be an exhaustive listing of all potential risks associated with these investments and prospective investors; Clients and Accountholders should carefully review relevant offering and governing documents prior to making an investment. There can be no assurance that SkyBridge will be able to achieve its Clients’ and/or Accountholders’ investment objectives or that SkyBridge Fund investors, Managed Account Clients or Accountholders will receive a return of their capital. Risks include, but are not limited to, the following:

- Investment Risks in General. All investments made on behalf of Clients and Accountholders face the risk of loss of capital. An investment in a SkyBridge Fund or Managed Account, or in an Investment Fund where SkyBridge has provided investment advice, should only be made by an

investor who understands the nature of the investment, does not require more than limited liquidity in the investment and has sufficient capital to sustain the loss of the entire investment.

- Limited Number of Investments; Lack of Diversification. The SkyBridge Funds and Managed Accounts may be more concentrated and less diversified than other funds, and may have a greater concentration in one or more investment styles than other funds.
- Availability of and Ability to Acquire Suitable Investments. There can be no assurance that investment opportunities will be available for the SkyBridge Funds, Managed Accounts or Accountholders, or that available investments will meet a SkyBridge Fund's, Managed Account's or Accountholder's particular investment criteria.
- Illiquidity. Clients and Accountholders must be able to accept the risks associated with investing in illiquid securities, including that it may not be possible to sell such securities at the most opportune times or at prices approximating the value at which they were purchased.
- Leverage. In instances where SkyBridge believes that the use of leverage should enable a direct trading SkyBridge Fund to achieve a higher rate of return, SkyBridge may decide to use leverage. Accordingly, the direct trading SkyBridge Fund may pledge its securities in order to borrow additional funds for investment purposes. Such Funds may also leverage investment returns with options, short sales, swaps, forwards and other derivative instruments, including futures contracts. The amount of borrowings which such direct trading SkyBridge Funds may have outstanding at any time may be substantial in relation to capital. While leverage presents opportunities for increasing total return, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment by such a Fund would be magnified to the extent of leverage. The cumulative effect of the use of leverage in a market that moves adversely could result in a substantial loss to a direct trading SkyBridge Fund employing leverage which would be greater than if it were not leveraged.
- Performance Fees Payable To Portfolio Managers. SkyBridge may be paid an incentive fee or allocation based on the positive performance of a SkyBridge Fund or Managed Account, calculated on a basis that includes unrealized gains. Incentive fees or allocations may provide SkyBridge with incentives to incur additional investment risk and to invest in more speculative instruments than it would in the absence of such incentive arrangements.
- Layering of Fees in Funds-of-Funds. Investment Fund fees are in addition to fees payable to SkyBridge by Clients. An investor who meets the eligibility conditions imposed by the Investment Funds could invest directly in the Investment Funds. By investing in the Investment Funds indirectly through the SkyBridge Fund or Managed Account, an investor bears a proportionate part of the asset-based fees and other expenses paid to SkyBridge and other expenses of the SkyBridge Fund or Managed Account, and also indirectly bears a portion of the asset-based fees, performance compensation and other expenses borne by the SkyBridge Fund or Managed Account as an investor in the Investment Funds.
- Portfolio Valuation. Valuations of assets of the SkyBridge Funds and Managed Accounts may involve uncertainties and the exercise of judgment and discretion on the part of SkyBridge.
- Early-Stage Managers. Early-stage Investment Managers may not have substantial experience in operating Investment Funds and do not have significant track records.

- Equity Risks. Direct trading SkyBridge Funds may invest predominantly in equity securities and equity linked securities of issuers listed and traded on organized exchanges. The value of these securities generally varies with the performance of the issuer and movements in the equity markets. As a result, the Fund may suffer losses if it invests in equity securities of issuers whose performance diverges from SkyBridge's expectations or if equity markets generally move in a single direction and the Fund has not hedged against such a general move.
- Derivative Instruments. Investment Funds and direct trading SkyBridge Funds may utilize derivative instruments which seek to modify or replicate the investment performance of particular securities, commodities, currencies, interest rates, indices or markets on a leveraged or unleveraged basis.
- Hedging Transactions. Direct trading SkyBridge Funds may utilize financial instruments, both for investment purposes and for risk management purposes in order to, among other things, protect against possible changes in the market value of its investment portfolio resulting from fluctuations in the securities markets and changes in interest rates and protect unrealized gains in the value of its investment portfolio. The success of hedging strategies are subject to SkyBridge's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolios being hedged. Since the characteristics of many securities change as markets change or time passes, the success of any hedging strategy will also be subject to SkyBridge's ability to continually recalculate, readjust, and execute hedges in an efficient and timely manner. While a direct trading SkyBridge Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance than if it had not engaged in any such hedging transactions. For a variety of reasons (e.g., cost and probability of occurrence of risk), the Fund may not hedge against particular risks or may not establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. An imperfect correlation may prevent the Fund from achieving the intended hedge, and failure to hedge or an imperfect hedge may expose the Fund to risk of loss.

#### **Item 9: Disciplinary Information**

Not applicable.

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

SkyBridge may use the services of Hastings Capital Group, LLC ("Hastings"), an affiliated broker-dealer duly registered pursuant to the Securities Exchange Act of 1934 and a member in good standing of the Financial Industry Regulatory Authority, which is controlled by Anthony Scaramucci but operated separately from SkyBridge, to facilitate the distribution of certain Investment Funds and SkyBridge Funds. Such funds are generally offered on a "best efforts" basis. Messrs. Scaramucci and Nolte are registered representatives of Hastings together with certain other members of the SkyBridge portfolio management team and other employees of SkyBridge.

SkyBridge and/or the SkyBridge Funds may enter into private placement agreements with Hastings for marketing and other services. In such event, Hastings will receive from SkyBridge and/or the SkyBridge Funds customary fees based upon the nature and extent of the services provided and will be indemnified by, and will indemnify, the relevant counterparty on customary terms with respect to its services thereunder.

Hastings may also enter into marketing agreements with one or more Investment Funds pursuant to which Hastings will receive customary fees based upon the nature and extent of the services provided to each such Investment Fund, including, in some circumstances, a fixed fee (which will not be shared with any SkyBridge Fund). In addition to helping reduce the amount of time an Investment Manager would need to devote to marketing, Hastings brings experience in marketing and sourcing of funds which might not otherwise be available to the Investment Manager. Because the terms of any agreement between Hastings and any Investment Fund will be determined by SkyBridge, Hastings and their affiliates in their sole discretion, SkyBridge may have a bias to select for investment an Investment Manager or Investment Fund that is willing to enter into such agreements. Moreover, the payment of such fees may reduce the willingness of an Investment Manager of an Investment Fund to reach more favorable terms with a SkyBridge Fund or a Managed Account.

As noted in Item 4, generally, affiliates of SkyBridge act as the general partner or managing member of SkyBridge Funds structured as limited partnerships or limited liability companies and as such have an economic interest in the performance of the SkyBridge Funds. The fact that SkyBridge's affiliates (which are controlled by certain SkyBridge personnel) have an economic interest in the performance of the SkyBridge Funds could cause SkyBridge to make investment decisions that are different than would be made in the absence of such an interest.

Also as described in Item 4, Challenger owns a minority equity interest in SkyBridge and certain affiliates. Through this relationship, Challenger is entitled to certain beneficial rights not available to Clients generally, including information rights with respect to SkyBridge and SkyBridge Funds. Entities affiliated with Challenger have made, and may in the future make, substantial investments in one or more SkyBridge Funds. When invested in a SkyBridge Fund, Challenger assists SkyBridge in identifying potential Underlying Managers and assists the SkyBridge Fund in raising additional capital. SkyBridge Funds other than the '40 Act Funds may invest in one or more collective investment vehicles managed by affiliates of Challenger ("Managed Funds"). In certain circumstances, Challenger is entitled to increase its ownership stake in SkyBridge and its affiliates if the SkyBridge "seeding" Funds do not invest in such Managed Funds.

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

SkyBridge has instituted policies and procedures designed to (i) avoid or resolve possible conflicts of interest that may arise in certain situations, and (ii) monitor the personal trading activities of SkyBridge's employees and certain members of their immediate families. These policies and procedures, which are embodied in SkyBridge's Code of Ethics and are intended to comply with the requirements of Rule 204A-1 under the Investment Advisers Act of 1940 (the "Advisers Act"), include the appointment of a CCO, the adoption of insider trading policies, the requirement that certain securities transactions (including, in particular, transactions in initial public offerings and private placements and limited offerings such as investments in hedge funds) be pre-cleared by the CCO, the institution of buy-and-hold policies for equity securities, and the requirement that all "Access Persons" report their personal securities transactions to the CCO in accordance with Rule 204A-1. "Access Persons" include all of SkyBridge's directors and officers, as well as any persons supervised by SkyBridge who (i) have access to nonpublic information regarding a client's purchase or sale of securities, (ii) are involved in making securities recommendations to clients, or (iii) have access to such recommendations that are non-public. Under SkyBridge's Code of Ethics, all managing members, officers and employees of SkyBridge are deemed both Access Persons and supervised persons for purposes of Rule 204A-1.

The Code of Ethics sets forth a standard of business conduct that takes into account SkyBridge's status as a fiduciary and requires Access Persons to place the interests of Clients above their own interests and the interests of SkyBridge. Access Persons must not take any inappropriate advantage of their positions. The

Code of Ethics requires Access Persons to comply with applicable Federal securities laws. Further, Access Persons are required to promptly bring violations of the Code of Ethics to the attention of the CCO. All Access Persons are provided with a copy of the Code of Ethics and are required to acknowledge receipt of the Code of Ethics upon hire and on at least an annual basis thereafter.

As described in Items 4 and 10, generally, affiliates of SkyBridge act as the general partner or managing member of SkyBridge Funds structured as limited partnerships or limited liability companies and as such have an economic interest in the performance of the SkyBridge Funds. In addition, Access Persons invest in the SkyBridge Funds, and such investments are generally not subject to the fees payable by outside investors. Access Persons may also invest directly in the Investment Funds. The fact that SkyBridge's affiliates (and therefore certain Access Persons) have financial ownership interests in the SkyBridge Funds and Investment Funds creates a potential conflict in that it could cause SkyBridge to make different investment decisions than if such parties did not have such financial ownership interests. Further, potential conflicts may arise due to SkyBridge's affiliates and Access Persons having investments in some SkyBridge Funds or Investment Funds that are greater than their investments in other SkyBridge Funds or Investment Funds. SkyBridge addresses such potential conflicts by the regular account reviews described in Item 13, as well as the personal securities transaction pre-clearance and reporting requirements covered by the Code of Ethics.

In addition, Access Persons may purchase or sell individual securities that the SkyBridge Funds or Managed Accounts purchase or sell. This presents a potential conflict in that Access Persons could make improper use of Client information for their own benefit. SkyBridge addresses this potential conflict through its internal policies and procedures, which prohibit front-running and other improper uses of information, and through regular monitoring of Access Person personal account transactions and trading patterns for potential conflicts of interest. Further, Access Persons may take actions for their personal accounts that differ from or conflict with actions taken for Client accounts, and these actions may impact the price or availability of securities to Clients.

Each Access Person is required to provide the CCO with confirmations, account statements, quarterly transaction reports and annual holdings reports with respect to all personal securities transactions. The CCO monitors these transactions for conflicts of interest and seeks to ensure strict adherence to the Code of Ethics.

A copy of SkyBridge's Code of Ethics is available to any client or prospective client upon request.

### **Item 12: Brokerage Practices**

As an investment advisory firm, SkyBridge has a fiduciary and fundamental duty to seek best execution for Client transactions. SkyBridge, as a matter of policy and practice, seeks to obtain best execution for Client transactions, *i.e.*, seeking to obtain not necessarily the lowest commission but the best overall qualitative execution in the particular circumstances. This applies to the purchase of limited partnership interests or other securities by Clients. With respect to the fund-of-funds business, because interests in Investment Funds are purchased directly from the issuer at net asset value without the payment of a placement fee or commission, most best execution principles do not apply to such transactions.

SkyBridge has authority to select the broker-dealer to be used in each transaction for Clients that are direct trading hedge funds, and for negotiating the fees to be paid to the broker-dealer in connection with such transactions. SkyBridge recognizes its duty to obtain "best execution." Consistent with such duty, in determining best execution, SkyBridge takes into account the full range and quality of a broker-dealer's services, including research and other services. SkyBridge does not select broker-dealers solely on the

basis of lowest possible commission costs, but by the best qualitative execution. Consistent with such policy, consideration is given to a variety of factors, including but not limited to the following: (i) price, (ii) the ability of the brokers and dealers to effect the transactions, (iii) facilities, reliability and financial responsibility and (iv) research-related services provided.

While SkyBridge's primary consideration in allocating portfolio transactions to broker-dealers is to obtain favorable prices and efficient executions, SkyBridge does not have an obligation to, and does not always seek to, obtain the lowest priced execution regardless of qualitative considerations. In determining best execution, SkyBridge may take into account the full range and quality of a broker's services that benefit an account under management such as brokerage, research and other services. Therefore, SkyBridge may not necessarily negotiate "execution only" commission rates and may "pay up" for research and other services provided by the broker through the commission rate ("soft dollars"), which may result in higher transaction costs than would be otherwise obtainable. Section 28(e) of the Exchange Act provides a safe harbor that permits an investment manager with investment discretion to obtain research and other products and services provided by a broker-dealer that assist the manager in making investment decisions if the manager determines, in good faith, that the brokerage rates charged by such broker are reasonable in light of the services provided. Such products and services obtained through the use of commissions generated with respect to one client's portfolio transactions may be used with respect to any or all of the manager's other clients. SkyBridge's policy is to stay within the Section 28(e) safe harbor. As such, SkyBridge will only receive products and services that have a mixed use if it makes a good faith allocation of the value of the non-research products and services it receives and pays for such non-research items in hard dollars.

SkyBridge did not utilize soft dollars in its most recently-completed fiscal year. SkyBridge does not have directed brokerage arrangements.

SkyBridge may aggregate orders on behalf of multiple Clients when consistent with law and best execution. As a general matter, when SkyBridge aggregates Client purchase or sale orders, no Client will be systematically advantaged over any other Client. Each Client that participates in an aggregated order for any given security will participate at the average share price for all Client transactions in aggregated orders for such day. Fully filled aggregated orders will be allocated among Clients in a manner consistent with SkyBridge's internal policies and procedures regarding allocations, and partially filled orders will be allocated among Clients pro rata.

### **Item 13: Review of Accounts**

The activities of the SkyBridge Funds and Managed Accounts, and to the extent so requested the Accountholders, are reviewed on a regular basis by a combination of SkyBridge's Chief Investment Officer and Portfolio Managers.

For each SkyBridge Fund, investors are provided with: (i) the monthly net asset value of the Fund; (ii) a quarterly status report of the Fund's investments and overall Fund performance; (iii) an annual audited financial report and summary update of the Fund investments; (iv) annual tax information necessary for the completion of U.S. federal income tax returns, if appropriate; (v) periodic information regarding expirations of lock-up periods attributable Client accounts; and (vi) such other information as SkyBridge determines in its sole discretion from time to time. Monthly information generally will be provided within forty-five (45) days following such month end. Managed Accounts are provided with comparable information on at least a quarterly basis.

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

Occasionally, Clients may be referred to SkyBridge by SkyBridge employees or SkyBridge's affiliates. SkyBridge may also enter into arrangements with unaffiliated parties that refer Clients to SkyBridge. Any such third party referral arrangements will be conducted in accordance with Rule 206(4)-3 under the Advisers Act. Payments under such arrangements will generally consist of a cash payment computed as a percentage of the referred client's advisory fee, although other methods of computation may be used.

SkyBridge's CCO has overall responsibility for the implementation and monitoring of its cash solicitation policy, practices, disclosures and record-keeping. SkyBridge has adopted various procedures to implement the firm's solicitation policy and to review and monitor its application to ensure that the firm's policy is observed, implemented properly and amended or updated, as appropriate. These procedures include:

- SkyBridge's CCO will review and approve any solicitor arrangements, including approval of the particular solicitor's agreement(s), reviews of solicitor's background, compensation arrangements and related matters;
- no principal or employee of SkyBridge may enter into any verbal or written agreement for client solicitations without the prior approval by the CCO; and
- SkyBridge's CCO periodically monitors the firm's solicitor arrangements to note any new or terminated relationships, make sure appropriate records are maintained and solicitor fees paid, and make sure Form ADV disclosures are current and accurate.

In addition, SkyBridge and its employees, as a matter of policy and practice, are prohibited from providing or agreeing to provide, directly or indirectly, payment, consideration or any other item of value or to any person unaffiliated with SkyBridge to solicit a government entity for investment advisory services on SkyBridge's behalf unless such person is a U.S. registered broker-dealer and/or U.S. registered investment adviser. Any arrangement which may involve the solicitation of governmental entities must be in writing and contain such contractual provisions as the CCO approves. Such provisions shall be reasonably designed to assure, in the judgment of the CCO, compliance with all applicable laws and rules by such person in connection with any solicitation of any governmental entity.

#### **Item 15: Custody**

SkyBridge does not maintain direct custody of Client assets. However, under Rule 206(4)-2 under the Advisers Act, "custody" is broadly defined to also include holding indirectly client funds or securities, or having any authority to obtain possession of them. In particular, in respect of SkyBridge's Clients, SkyBridge is considered to have custody with respect to SkyBridge Funds to the extent SkyBridge or an affiliate of SkyBridge serves in a capacity that gives it legal ownership of or access to the SkyBridge Funds' funds or securities (such as general partner of a limited partnership, managing member of a limited liability company or a comparable position for another type of pooled investment vehicle, or trustee of a trust). SkyBridge is also considered to have custody with respect to certain SkyBridge Funds and Managed Accounts if SkyBridge is authorized under the Client's agreement with SkyBridge to withdraw Client funds or securities maintained with a third-party custodian upon SkyBridge's instruction to the third-party custodian. At present, SkyBridge is not authorized under any Managed Account Client agreement to so withdraw Client funds or securities but may do so with respect to certain SkyBridge Funds enumerated in Part 1A of this Form ADV.

In order to avoid any conflict of interest that indirect custody of Client assets may cause, SkyBridge complies with Rules 206(4)-2 and 206(4)-(4) under the Adviser's Act by using the exemption for the annual audit of SkyBridge Funds' financial statements and the delivery of such audited financial statements to SkyBridge Fund investors in the timeframe required under such Rules. Investors in SkyBridge Funds should review those financial statements carefully. In circumstances where SkyBridge is unable to provide such financial statements within the required timeframe, SkyBridge complies with such Rules by (i) sending a notice to Clients meeting the requirements of Rule 206(4)-2, (ii) confirming that the qualified custodian sends quarterly account statements to Clients and (iii) undergoing an annual surprise examination by an independent public accountant to verify Client funds and securities.

#### **Item 16: Investment Discretion**

SkyBridge's investment management services are provided pursuant to the terms of an investment advisory agreement with the Client and in certain cases the organizational documents of the SkyBridge Fund and/or Managed Account. With respect to Managed Accounts, Clients are generally permitted to impose investment restrictions with respect to their assets by providing SkyBridge with written notice, as long as SkyBridge reasonably deems the restriction to be appropriate and agrees to the investment restriction in a modified investment advisory agreement with the Client. Any restrictions a Client imposes on the management of a Managed Account may cause SkyBridge to deviate from investment decisions it would otherwise make in managing the account.

#### **Item 17: Voting Client Securities**

Where SkyBridge provides direct hedge fund investment management services, SkyBridge Funds and Managed Accounts may receive notices or proposals from companies in which they are invested seeking the consent of, or voting by, holders ("proxies"). (Investments in Investment Funds do not typically convey traditional voting rights, and the occurrence of corporate governance or other consent or voting matters for this type of investment is substantially less than that encountered in connection with registered equity securities.) The SkyBridge Funds and the Managed Accounts have delegated any voting of proxies in respect of portfolio holdings to SkyBridge to vote proxies in accordance with SkyBridge's proxy voting guidelines and procedures. In general, SkyBridge believes that voting proxies in accordance with the policies described below will be in the best interests of Clients.

- In the absence of specific voting guidelines mandated by a particular Client, SkyBridge will vote proxies in the best interests of each Client (which theoretically could result in different voting results for the same underlying issuer). Although voting certain proxies may be subject to the discretion of SkyBridge, SkyBridge is of the view that voting proxies in accordance with the following general guidelines is in the best interest of its advisory Clients:
  - SkyBridge will generally vote in favor of normal corporate housekeeping proposals including, but not limited to, the following:
    - election of directors (where there are no related corporate governance issues);
    - selection or reappointment of auditors; or
    - increasing or reclassifying common stock.
  - SkyBridge will generally vote against proposals that:



- make it more difficult to replace members of the issuer's board of directors or board of managers; or
  - introduce unequal voting rights (although there may be regulatory reasons that would make such a proposal favorable to certain Clients).
- For proxies addressing any other issue (for the fund-of-funds business, this may include proposals related to fees paid to Investment Managers of underlying Investment Funds, redemption rights provided by underlying Investment Funds, investment objective modifications, etc.), the CCO, portfolio manager, or other designated officer, shall determine (which may be based upon the advice of external lawyers or accountants) whether a proposal is in the best interest of affected Clients. In doing so, SkyBridge will evaluate a number of factors which may include, but are not limited to:
    - the performance of the underlying investee in question;
    - a comparison of the proposed changes to terms which are customary in the industry; and
    - for the fund-of-funds business, consideration of the risk that management of the underlying investee will require the SkyBridge Fund to withdraw if the required change is not approved.

In exercising its voting discretion, SkyBridge will seek to avoid any direct or indirect conflict of interest presented by the voting decision. If any substantive aspect or foreseeable result of the matter to be voted on presents an actual or potential conflict of interest involving SkyBridge, SkyBridge will, if feasible, make written disclosure of the conflict to the Client indicating how SkyBridge proposes to vote on the matter and its reasons for doing so. Investors in SkyBridge Funds and holders of Managed Accounts may obtain a copy of SkyBridge's proxy voting policies and procedures, as well as information as to how SkyBridge voted Clients' proxies, by calling or writing to SkyBridge at the number or address printed on the front of this brochure.

#### **Item 18: Financial Information**

Not Applicable