

Part 2A of Form ADV: Firm Brochure

Item 1 - Cover Page

## Kingdom Ridge Capital, LLC

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February 1, 2012

This brochure provides information about the qualifications and business practices of Kingdom Ridge Capital, LLC (the “Adviser”) , an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this brochure, please contact us at (914) 517-8654 or [mike.manley@kingdomridgecap.com](mailto:mike.manley@kingdomridgecap.com). This information has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

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

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

## **Item 2 - Material Changes**

This is the first version of Kingdom Ridge's Brochure using the SEC's new Form ADV Part 2A. This Brochure differs from the SEC's previous Form ADV Part II, has new sections and different information requests.

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## **Item 4 - Advisory Business**

### **Description of Advisory Firm**

Kingdom Ridge Capital, LLC ("Kingdom Ridge") is a Delaware limited liability company formed in October 2007 to provide discretionary investment services to privately offered investment funds (the "Funds", the "Kingdom Ridge Funds", the "Clients"). Christopher Zepf is the founder and managing principal and Brian Thonn is the co-founder and a principal of Kingdom Ridge. The investment objective and strategy are described in the confidential offering memorandum of each Fund. Currently, the Funds consist of:

Kingdom Ridge Capital Partners, L.P., a Delaware limited partnership ("Domestic Fund") and Kingdom Ridge Capital Fund, Ltd., a Cayman Island exempted corporation ("Offshore Fund").

The Funds invest substantially all of their assets through a "master-feeder" fund structure. The master fund is Kingdom Ridge Capital Master Fund, Ltd. (the "Master Fund"), an exempted company incorporated under the laws of the Cayman Islands. Our affiliate, Kingdom Ridge Capital GP, LLC ("Kingdom Ridge GP"), a Delaware limited liability company, serves as general partner of the Domestic Fund.

### **Description of Advisory Services**

Kingdom Ridge serves as the Investment Manager and is responsible for certain investment advisory and administrative services for the Funds. Kingdom Ridge provides the Funds' investment objective (via the Funds' investment in the Master Fund) to generate significant returns by investing and trading in publicly listed equities and related instruments. The Fund's focus is primarily on companies related to the technology sector.

In addition to investing in equity securities, the Funds may invest opportunistically in a variety of other financial instruments pursuant to the broad and flexible investment authority granted to Kingdom Ridge by each Fund. Such other financial instruments include over-the-counter and exchange-traded instruments (including, without limitation, exchange-traded funds and derivative instruments such as options and equity index futures contracts).

### **Availability of Tailored Services for Individual Clients**

Kingdom Ridge generally does not tailor its advisory services to the needs of individual clients. Our clients are the Kingdom Ridge Funds. The Funds are governed by their respective Memoranda. The Funds' Memoranda explains the Funds' investment objectives, that is, to generate significant returns by investing and trading in publicly listed equities and related instruments primarily in companies related to the technology sector.

### **Wrap Fee Programs**

Kingdom Ridge does not offer wrap fee programs.

### **Client Assets Under Management**

As of December 31, 2011, Kingdom Ridge had approximately \$200,000,000 under management, all on a discretionary basis on behalf of the Funds.

**Item 5 - Fees and Compensation**

Kingdom Ridge and affiliate Kingdom Ridge GP receive two distinct forms of compensation, a management fee and an incentive allocation.

Kingdom Ridge receives a quarterly Management Fee calculated as follows: (i) 0.5% (i.e., 2.0% per annum) for Sub-Class A interests/shares and (ii) 0.375% (i.e., 1.5% per annum) for Sub-Class B interests/shares. The Management Fee is paid quarterly in advance based on the value of the net assets of each investment and is prorated for intra-quarter contributions and redemptions. All contributions and redemptions may be made monthly. Sub-Class A investors are subject to a one year soft lock up provision and Sub-Class B investors are subject to a three year soft lock up provision. Should an investor decide to redeem prior to the end of the soft lock up period, the investor will be subject to a 4% penalty payable to the Fund.

The Incentive Allocation is an amount equal to a percentage of the aggregate net profits (including realized and unrealized gains), allocated to each investor after making up any losses carried forward from prior years. The incentive allocation percentages are as follows: (i) 20% of the net profits attributable to a Sub-Class A investment and (ii) 17.5% of the net profits attributable to a Sub-Class B investment. The incentive allocation is allocated to Kingdom Ridge GP, an affiliate of the investment advisor, at the end of the fiscal year.

In its sole discretion, Kingdom Ridge may reduce, waive or modify fee terms for any investor. Kingdom Ridge has waived the management fee and incentive allocation for all employees who are invested in the Funds.

The calculation of the management fee and incentive allocation is based on the calculation of each Fund's net asset value which includes the valuation of securities positions. Each Fund's offering documents describes the valuation procedures utilized to calculate each Fund's net asset value.

Kingdom Ridge deducts applicable fees from each investor's capital account. Investors do not have the ability to choose to be billed directly for fees incurred.

Investors and prospective investors should refer to the offering documents of the applicable Fund for a complete detailed description of its respective fee schedule.

**Other Fees and Expenses**

The Funds will bear their own expenses including, but not limited to, investment-related expenses such as commissions, interest on margin accounts, borrowing charges on securities sold short, administrative expenses, legal expenses, accounting expenses, audit and tax preparation expenses, corporate licensing, director fees, custodial fees, taxes, organizational and offering expenses, and other direct expenses associated with the operation of the Funds.

**Prepayment of Fees**

As noted above, the management fees of the Kingdom Ridge Funds are paid quarterly in advance. Should an investor join or redeem from the Funds at a time other than the beginning of the quarter, the management fee will be pro-rated for the period invested in the Funds. Investors may redeem from the Funds on a monthly basis. Any accrued but unpaid incentive allocation will be paid as of the redemption date.

With respect to terminating the investment advisory relationship, withdrawals/redemptions from the Kingdom Ridge Funds are subject to significant conditions and restrictions, which are set forth in the relevant Kingdom Ridge Fund's documents. Such conditions, restrictions, and limitations may include:

- The condition that withdrawal/redemption requests be properly submitted in accordance with the relevant Kingdom Ridge Fund documents and in a timely manner;

- The condition that any “lock-up period” applicable to the interests/shares has expired.
- If the lock-up period has not expired, the investor will be subject to a 4% penalty payable to the Funds.

Kingdom Ridge may waive or modify withdrawal/redemption terms for any investor in the Kingdom Ridge Funds.

Neither Kingdom Ridge nor its affiliate are broker-dealers and, consequently, receive no commissions or other compensation in connection with the purchase and sale of securities.

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

### Performance-Based Fees

Please refer to Item 5 for information concerning our performance-based fees.

### Side-By-Side Management

Kingdom Ridge manages one portfolio at the Master Fund level. That is, the investment manager executes all trades for the Funds on an aggregated basis at the Master Fund level. Profit and loss related to those investments are then allocated to the Funds via a predetermined allocation methodology based on gross capital as of the beginning of each month. By using this allocation structure, Kingdom Ridge alleviates any conflicts that might arise from subjective trade allocation practices and preferential account management.

## **Item 7 - Types of Clients**

As noted above, our clients are the Kingdom Ridge Funds, each of which was established to invest all of its assets in the Master Fund. Limited Partnership interests and Shareholder shares will be sold only to qualified investors who are “accredited investors” under Rule 501 of Regulation D of the Securities Act of 1933, as amended, and “qualified purchasers” under Section 2(a)(51) of the Investment Company Act of 1940, as amended. The minimum initial investment in the Funds is \$1 million subject to reduction by the sole discretion of the general partner or board of directors of the relevant Fund. Investments may be made on a monthly basis. Investors in the Funds predominantly consist of institutional investors such as endowments, fund of funds, state pension plans and high net worth individuals.

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

Kingdom Ridge’s investment focus is primarily on companies related to the technology sector.

Kingdom Ridge employs a combination of bottom-up fundamental stock picking with an opportunistic trading investment strategy. The Investment Advisor will invest a meaningful portion of the Funds’ assets in highest conviction long and short ideas. These core ideas will come from rigorous, bottom-up fundamental research that will allow the Investment Advisor to discover differentiated ideas and build high conviction in the ideas. Kingdom Ridge believes that differentiation generally means that there is a significant gap between street/consensus expectations and what the fundamental research indicates will likely happen. High conviction will come from:

- focused effort to understand a story better than other investors;

- understanding what the consensus thinks will happen and why the consensus is missing what the Investment Manager perceives will happen – the concept of earnings expectation gaps;
- identifying catalyst timeline for when the consensus thinking will converge with the Investment Manager's expectations; and
- understanding the risks associated with putting on the position and balancing it with the potential reward.

Kingdom Ridge will also seek to generate alpha by (i) seizing trading opportunities that arise from situations such as incorrect perceptions of current market events, (ii) taking short term positions that are fundamentally sound yet run counter to conventional investor/trader wisdom and (iii) trading around the core positions.

Significant absolute returns will be generated by generally running a relatively concentrated portfolio of long and short core ideas and by supplementing these core ideas with opportunistic trading activities. The competitive landscape in the technology sector is dynamic. This competitive fluidity often provides money-making investment opportunities on both long and short investments. Although the Fund's short portfolio should serve as a hedge for the portfolio over time, the Investment Manager also expects to generate a meaningful portion of the Fund's returns from short positions over the long term.

The Fund's strategy is based on primary due diligence. The Investment Manager's research staff will visit companies, speak with senior management teams, attend industry research conferences and attend technology company related conferences, exhibitions and trade shows. The Investment Manager believes that this strategy of proprietary analysis will prove valuable as attractive opportunities are often overlooked or underestimated by Wall Street research analysts.

Kingdom Ridge may buy securities on margin and arrange with banks, brokers and others to borrow money against a pledge of securities in order to employ leverage.

Kingdom Ridge will cause the Master Fund to invest in securities and other financial instruments using strategies and investment techniques with significant risk characteristics. We utilize investment techniques such as option transactions, margin transactions, equity index futures transactions, short sales, leverage and derivatives trading, which can, in certain circumstances, maximize the adverse impact to which the Funds may be subject. Securities in which Kingdom Ridge believes has earnings expectation gaps may not ultimately be valued in the capital markets at prices we expect and/or within the time frame we anticipate. There can be no assurance that the Investment Manager will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Master Fund's activities and the value of its investments. No guarantee or representation is made that the Fund's investment objective will be achieved.

Other risk factors that must be considered are risks related to: the technology sector itself, use of leverage, relative value strategy risk, investments in non-US securities and counterparty risk. Please refer to the relevant Fund's Memorandum for additional information and detail regarding the risks applicable to investments by the Funds. Past performance may not be indicative of future performance. There can be no assurances that and Funds will achieve their investment objectives.

As a result of the aforementioned and other factors, the Funds and investors in the Funds risk the loss of all or substantially all of their investment.

The following specific risks should be well noted:

Investing in Equity Securities - The value of equity securities fluctuate in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole.

Short Selling - Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on the portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

Leverage - The Investment Manager may borrow funds for the purpose of purchasing securities. Borrowing money to purchase securities may provide an opportunity for greater capital appreciation, but, at the same time, will increase the Funds', exposure to capital risk and higher current expenses.

Options Trading - In seeking to enhance performance or hedge assets, we may purchase call and put options on both securities and stock indexes. The purchase of call and put options entail risks. Although an option buyer's risk is limited to the amount of the purchase price of the option, an investment in an option may be subject to greater fluctuation than an investment in the underlying securities.

Investment in Foreign Securities - Investment in foreign securities may be subject to greater risks than purely domestic investment due to a variety of factors including currency controls and the fluctuation of currency exchange rates, changes in governmental administration or economic or monetary policy (in the United States and abroad) or changed circumstances in dealings between nations. Dividends paid by foreign issuers may be subject to withholding and other foreign taxes that may decrease the net return on these investments as compared to dividends paid to the Domestic Fund. There may be less publicly available information about foreign issuers than about domestic issuers, and foreign issuers are not subject to uniform accounting, auditing and financial reporting standards and requirements comparable to those of domestic issuers. Securities of some foreign issuers are less liquid and more volatile than securities of comparable domestic issuers and foreign brokerage commissions are generally higher than in the United States. Foreign securities markets may also be less liquid, more volatile and less subject to government supervision than those in the United States. Investment in foreign countries could be affected by other factors not present in the United States, including expropriation, confiscatory taxation and potential difficulties in enforcing contractual obligations.

Limited Diversification, focus mainly on technology sector – The Investment Advisor will mainly research and transact in securities related to the technology sector. The lack of sector diversity in a portfolio could expose the portfolio to greater volatility than in a portfolio with greater sector diversity.

Political and Economic Conditions - Adverse changes in laws and governmental policies, potentially burdensome taxation and changes in foreign tax laws as well as foreign currency exchange and transfer restrictions may adversely affect our business and the companies we cover. The instability of international governments, including the threat of war, terrorism, civil unrest and related geo-political risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

Investors in Kingdom Ridge Funds should be aware that we may invest in a wide range of securities or financial instruments, each of which may present different risks than those described in this Item 8. It is critical that investors refer to the relevant confidential private offering memorandum and other governing documents for a complete understanding of the material risks involved in relation to an investment in Kingdom Ridge. The information contained herein is a summary only and is qualified in its entirety by such documents.



## **Item 9 - Disciplinary Information**

Kingdom Ridge and its affiliate have no legal or disciplinary events to report.

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

The only affiliate of Kingdom Ridge is the general partner of the Domestic Fund, Kingdom Ridge Capital GP, LLC.

Kingdom Ridge or any of its management do not have applications pending to register as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

Kingdom Ridge, its employees and its related persons may invest directly in the Kingdom Ridge Funds. It should be noted that we have waived the management fee and incentive allocation for all employees and members of Kingdom Ridge who are invested in the Kingdom Ridge Funds, but such persons still bear their pro rata portions of the applicable Fund's expenses.

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

### Code of Ethics

Kingdom Ridge has adopted a Compliance Manual and Code of Conduct to monitor the potential conflicts of interests within the firm as it relates to access persons' personal trading, outside business activities and other matters. Kingdom Ridge's Code of Conduct has been designed to comply with the requirements of Advisers Act Rule 204A-1 and is part of Kingdom Ridge's Compliance Manual. Among other things, the Compliance Manual and Code of Conduct (i) requires that all employees comply with federal securities laws, (ii) requires that all employees submit to Kingdom Ridge reports containing their personal securities holdings and transactions in reportable securities, and that Kingdom Ridge review such reports, (iii) requires all employees to obtain pre-approval of all investment transactions, (iv) requires employees to disclose their outside business activities, and (v) contains policies and procedures designed to prevent the misuse of material, non-public information. Additionally, Kingdom Ridge employees are required to report and pre-clear certain political contributions, in connection with Advisers Act Rule 206(4)-5. All personnel of Kingdom Ridge are required to annually certify in writing their compliance with the Compliance Manual and Code of Conduct.

Kingdom Ridge maintains policies and procedures to prevent insider trading that are designed to prevent the misuse of material, non-public information. Kingdom Ridge's personnel are required to annually certify their compliance with the Code of Conduct and policies and procedures to prevent insider trading. Kingdom Ridge's insider trading policies prohibit it and its personnel from trading or recommending trading in securities of a company while in possession of material, nonpublic information ("Inside Information") about a company, and from disclosing such information to any person not entitled to receive it. Kingdom Ridge has designed and implemented policies and procedures reasonably designed to shield its investment professionals in most cases from access to Inside Information. In addition, among other things, such policies seek to control and monitor the flow of Inside Information to and within the firm, as well as prevent trading based on Inside Information. Clients or prospective clients may obtain a copy of Kingdom Ridge's Code of Conduct upon request.

### Participation or Interest in Client Transactions

Kingdom Ridge Capital, LLC serves as investment adviser and Kingdom Ridge Capital GP, LLC serves as general partner to the Domestic Fund. Both affiliates receive compensation for such services. Kingdom Ridge, its employees and its related persons may invest directly in the Kingdom Ridge Funds. It should be noted that Kingdom Ridge has waived the management fee and incentive allocation for all employees and members of Kingdom Ridge who are invested in the Kingdom Ridge Funds, but such persons still bear their *pro rata* portions of the applicable Kingdom Ridge Fund's expenses.

This fact that Kingdom Ridge, its employees and its related persons may have a financial ownership interest in the Kingdom Ridge Funds creates a potential conflict in that it could cause Kingdom Ridge to make different investment decisions than if they did not have such a financial ownership interest.

Further, Kingdom Ridge charges the Kingdom Ridge Funds fees based on a percentage of assets under management via the management fee and based on performance via the incentive allocation. The management fee is payable without regard to the overall success or income earned by the Kingdom Ridge Funds and therefore may create an incentive on the part of Kingdom Ridge to raise or otherwise increase assets under management to a higher level than would be the case if Kingdom Ridge were receiving a lower or no management fee. Where Kingdom Ridge Fund charges a performance-based fee, the incentive allocation, Kingdom Ridge may have an incentive to make investments that are riskier or more speculative than it otherwise would. Complete fee disclosures are provided to investors in the Funds' offering memoranda and should be carefully reviewed by prospective investors. Further, as noted above, Kingdom Ridge has established a Code of Conduct that sets forth a standard of business conduct that takes into account Kingdom Ridge's status as a fiduciary and requires access persons to place the interests of the Kingdom Ridge Funds and investors above their own interests.

### Investing in Securities Recommended to Clients

Kingdom Ridge seeks to monitor the potential conflicts of interests within the firm as it relates to access person's personal trading. An access person is defined as any partner, officer or employee of the Advisor who is subject to the supervision and control of the Advisor. Each access person transaction is strictly required to be made in accordance with Kingdom Ridge's Code of Conduct. In this regard, employees are subject to pre-clearance, minimum holding periods and periodic reporting requirements of their holdings and securities transactions under the firm's Code of Conduct. As previously noted, Kingdom Ridge's Code of Conduct requires Kingdom Ridge's access persons to obtain prior written approval before engaging in any transactions in securities. The Chief Compliance Officer reviews and maintains access persons' personal transaction records to ensure each access person is conducting his or her personal securities transactions in a manner that is consistent with the Code of Conduct.

### Conflicts of Interest Created by Contemporaneous Trading

As mentioned above, Kingdom Ridge seeks to monitor the potential conflicts of interests within the firm as it relates to access person's personal trading. This monitoring considers the sensitivities of conflicts of interest created by contemporaneous trading as well. In this regard, employees are subject to pre-clearance of all trading, including contemporaneous trading. Access persons are subject to reporting requirements of their holdings and securities transactions under the firm's Code of Conduct. As previously noted, Kingdom Ridge's Code of Conduct requires Kingdom Ridge's access persons to obtain prior written approval before engaging in any transactions in securities. The Chief Compliance Officer reviews and maintains access persons' personal transaction records to ensure each access person is conducting his or her personal securities transactions in a manner that is consistent with the Code of Conduct.

## **Item 12 - Brokerage Practices**

### Selecting Broker-Dealers and Use of Soft Dollars

Kingdom Ridge recognizes it has a fiduciary duty to clients to obtain best execution of each transaction. Investment advisers are not obligated, however, to obtain the lowest possible commission on each transaction. Instead, an investment adviser must execute securities transactions for clients in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances. The applicable provisions of the federal securities laws include Section 206 and Rule 204-2 under the Investment Advisers Act of 1940 and Section 28(e) of the Securities Exchange Act of 1934.

The process of determining best execution involves not only an assessment of prices, but also an evaluation of broker-dealer ancillary services such as research services, execution expertise, natural trading flow and other factors. An investment adviser should consider the full range of a broker's services in assessing best execution.

Transactions for Kingdom Ridge funds are allocated to broker-dealers by the Investment Adviser. The Investment Adviser will use various broker-dealers to execute, settle and clear securities transactions for Kingdom Ridge funds. In seeking best execution, the determinative factor is not necessarily the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including:

1. The competitiveness of a broker-dealer's commission rates and spreads;
2. Quality of its execution;
3. Its past history in executing orders;
4. Its clearance and settlement capabilities;
5. The executing broker's market share or activity in the security in question;
6. Quality of research provided.

Accordingly, although Kingdom Ridge will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The commissions and/or transaction fees charged by a broker may be higher or lower than those charged by other broker-dealers. Kingdom Ridge will not receive any portion of the brokerage commissions and/or transaction fees charged to clients.

The Chief Operating Officer and Head of Trading periodically review Kingdom Ridge's best execution policies and conduct qualitative and quantitative reviews related to quality of brokerage executions. The Chief Operating Officer monitors trades to ensure they are complying with Best Execution Policies.

Each quarter the Director of Research surveys the analysts to quantify the value of each research provider. That tally is discussed among the Portfolio Manager, Director of Research and the Head of Trading to set target commission ranges for the upcoming period. The Portfolio Manager and Head of Trading may execute trades with brokers who are not on this list if they believe that broker adds value in some way. In placing orders for the funds, the Portfolio Manager does not commit to any specific amount of business with any particular broker-dealer.

All records relating to best execution including the documentation used to substantiate best execution must be maintained including, but not limited to, trade tickets, confirmations, and other documents incidental to trades.

### Soft Dollar Policies

Kingdom Ridge uses a relatively conservative interpretation of soft dollar policies. Section 28(e) of the Exchange Act provides a safe harbor for an investment adviser that causes a client's account to use soft dollars for research. It is the policy of Kingdom Ridge that, in general, the brokerage commissions that Kingdom Ridge will pay to broker-dealers who supply research products and services will be comparable to commissions that it will pay to unrelated firms for comparable services. However, Kingdom Ridge reserves the right to authorize the payment of a higher commission for soft dollar transactions than trades executed at other unrelated brokers in accordance with Section 28(e). The Investment Adviser's relationships with brokerage firms that provide soft dollar services may influence the Investment Adviser's judgment in allocating brokerage business and create a conflict of interest in using the services of those broker-dealers to execute the Funds' brokerage transactions. The Investment Adviser believes that these relationships are beneficial to the Funds and the Investment Adviser.

The Chief Compliance Officer must approve in writing all soft dollar arrangements in advance. The Chief Compliance Officer is responsible for ensuring that Kingdom Ridge employees submit proper and timely requests for any potential soft dollar arrangements. Typical research products and services obtained include company market research reports, access to security databases, attendance at research conferences, access to corporate management, security/market analysis software, pricing services and other products and services providing us assistance in the performance of our investment decision-making responsibilities. The Chief Compliance Officer reviews and approves any changes to the soft dollar policies.

In addition, the Chief Compliance Officer is responsible for complying with the recordkeeping responsibilities with respect to soft dollar arrangements (including keeping all invoices and correspondence with third party vendors and broker-dealers) so as to satisfy the requirements of the Advisers Act and other applicable laws and regulations.

The Chief Compliance Officer, in conjunction with the Portfolio Manager, will determine whether a product or service has a "mixed-use." Once it is determined that a product or service has a mixed-use, a fair and reasonable allocation of the anticipated cost of the product or service will be made by the Chief Compliance Officer. The Chief Compliance Officer will review each allocation periodically and modify each allocation in writing as appropriate. These records will be maintained so as to satisfy the requirements of the record keeping provisions of the Advisers Act. Because of the potential conflict of interest for Kingdom Ridge to the extent that a mixed-use product or service must be paid for by Kingdom Ridge, Kingdom Ridge will seek to act fairly and in the best interests of its clients when making the allocation to alleviate any such potential conflict.

### Brokerage for Client Referrals and Directed Brokerage

In selecting or recommending broker-dealers for trade execution, Kingdom Ridge does not consider whether we might receive client referrals from such broker-dealers or any third party.

Goldman Sachs & Company, Inc is the prime broker of the Kingdom Ridge Funds. From time to time, the prime broker may invite our managing principals to participate at capital introduction events. At these events potential investors have the opportunity to meet and discuss investment opportunities with us. There is no compensation given to Kingdom Ridge to attend these events and there is no compensation for the prime broker should an investor decide to invest with the Kingdom Ridge Funds. Kingdom Ridge may place client portfolio transactions with firms who have provided capital introduction opportunities if the Adviser determines that it is otherwise consistent with seeking best execution. In no event will Kingdom Ridge select a broker-dealer as a means of remuneration for recommending the Adviser or affording the Adviser with the opportunity to participate in capital introduction programs.

### Order Aggregation

As noted above, the Kingdom Ridge Funds are established as a master-feeder structure where all securities transactions are performed at the master level and profit and loss are allocated to each Feeder Fund pro-rata. Kingdom Ridge operations reconciles the Master Fund portfolio daily to ensure all trades settle and clear and all open portfolio positions are priced correctly.

### **Item 13 - Review of Accounts**

The Master Fund portfolio activity, valuations, exposures and risk levels are monitored on a daily basis by the Portfolio Manager, Chief Financial Officer and the Head of Trading. Kingdom Ridge operations perform daily cash and trade reconciliations as well as portfolio valuation reconciliations. Kingdom Ridge has hired a third-party administrator (Goldman Sachs Administration Services, Inc., "GSAS") to calculate the monthly net asset value of the Funds. GSAS is also keeper of the final books and records of the Funds.

GSAS provides a monthly capital account statement to each investor. With the monthly capital statement, Kingdom Ridge provides a monthly scorecard report containing certain portfolio characteristics such as gross and net performance, firm assets under management, monthly performance attribution and month-end portfolio exposures. In addition to the monthly scorecard report, the Kingdom Ridge principals provide a narrative of the month's portfolio activities. The substance of this narrative varies with the events of the month. We also provide a mid-month performance estimate to all investors. Besides these periodic communications we provide to our investors, our principals readily invite investors to contact them via telephone call or to set up an office visit to discuss any matters of the portfolio.

Annually, Kingdom Ridge provides audited financial statements and K-1 tax reporting. A tax estimate is prepared and provided to Domestic Fund investors towards the end of the calendar year.

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

Kingdom Ridge does not receive an economic benefit for providing advice to its Clients from anyone else other than its Clients.

Kingdom Ridge does not compensate any third parties for Client referrals. Should Kingdom Ridge decide to provide compensation for referrals, such fees would represent no additional expense to investors/Clients. Such arrangements would be performed in accordance with the cash solicitation rule (Rule 204(4)-3) of the Advisors Act.

### **Item 15 – Custody**

Goldman Sachs & Company serves as custodian for the Kingdom Ridge Funds. In accordance with the qualified custodian rule, Kingdom Ridge distributes audited financial statements of each Fund to the Funds' investors within 120 days following the Funds' fiscal year end.

**Item 16 - Investment Discretion**

Kingdom Ridge provides investment advisory services to Clients on a discretionary basis. This means Kingdom Ridge has sole discretion to transact in securities without consultation with Clients. With each investment in the Fund, investors must complete and sign Fund documents representing that they understand this situation. Kingdom Ridge has entered into an investment management agreement with each Fund that sets forth the scope of the Adviser's discretion. As Portfolio Manager, Christopher Zepf has overall responsibility for the investment decisions on behalf of the Funds.

**Item 17 - Voting Client Securities**

Kingdom Ridge, in accordance with Rule 206(4)-6 of the Advisors Act, has adopted proxy voting policies and procedures. The Advisor follows the general rule to vote proxies in a manner that would be in the best interest to our Clients. When the situation arises where there is a conflict of interest between the Advisor's general policy and the interests of the Client, Kingdom Ridge will cast the vote with the Client's interest. The Advisor may refrain from voting proxies that represent shares that are not held in the Fund's portfolio as of the voting deadline.

Investors, or potential investors, may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted upon request.

**Item 18 - Financial Information**

Kingdom Ridge does not have a condition that impairs its ability to meet contractual commitments to Clients.

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

Not Applicable