

## FORM ADV PART 2A: Firm Brochure

**Abingworth Management Inc.**

**890 Winter Street, Suite 150  
Waltham, MA 02451**

**July 2014**

This Brochure provides information about the qualifications and business practices of Abingworth Management Inc. (“**AMI**”). If you have any questions about the contents of this Brochure, please contact AMI’s Chief Compliance Officer (“**CCO**”), John Heard at +44 20 7534 1500 or by email at [heard@abingworth.com](mailto:heard@abingworth.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Registration of an investment adviser does not imply that AMI or any of its principals or employees possess a particular level of skill or training in the investment advisory business or any other business.

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

**Item 2: Material Changes**

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This is the third annual update since the initial filing. There have been no material changes since the Firm's initial filing.

**IMPORTANT NOTE ABOUT THIS BROCHURE**

**This Brochure is not:**

- **an offer or agreement to provide advisory services to any person**
- **an offer to sell interests (or a solicitation of an offer to purchase interests) in any fund referred to in this Brochure**
- **a complete discussion of the features, risks or conflicts associated with any fund referred to in this Brochure or any advisory service.**

As required by the Investment Advisers Act of 1940, as amended ("Advisers Act"), AMI provides this Brochure to current and prospective clients. Additionally, this Brochure is available through the Securities and Exchange Commission's ("SEC's") Investment Adviser Public Disclosure website.

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## Item 4: Advisory Business

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### A. General Description of Advisory Business and Principal Owners

Abingworth Management Inc. (“**AMI**”, the “**Adviser**”, the “**Firm**”, “**we**”, “**us**”, or “**our**”), a Maryland corporation organized in April 1997 with its principal place of business in Waltham MA, provides investment advisory services in relation to companies in the life sciences and healthcare sectors across all stages of company development including early and late-stage venture financing, growth equity and public companies. The Adviser provides these services under agreements with Abingworth Management Limited (“**AML**”), a UK corporation, and Abingworth LLP (“**ALLP**”), a UK limited liability partnership, which use the investment advice provided by the Adviser in their management of privately offered funds, which currently include the following:

- Abingworth Bioventures IIA LP;
- Abingworth Bioventures IIIA LP;
- Abingworth Bioventures IIIB LP;
- Abingworth Bioventures IIIC LP;
- Abingworth Bioventures Executives LP;
- Abingworth Bioventures IV LP;
- Abingworth Bioventures IV Executives LP;
- Abingworth Bioventures V LP;
- Abingworth Bioventures V Co-Invest Growth Equity Fund LP; and
- Abingworth Bioventures VI LP.

These funds, together with any future private funds, are collectively referred to as the “**Funds**”. AML and ALLP are collectively referred to as the “**Managers**”. Each of the Managers, AMI and their holding companies and subsidiaries is referred to collectively as “**Abingworth**”.

As at the date of submission, the Firm was owned 100% by ALLP. The principal owner of ALLP is AML. AML is owned 100% by Abingworth Management Holdings Limited, a UK corporation. Abingworth Management Holdings Limited is owned by Stephen Bunting and David Leathers.

### B. Types of Advisory Services

Advisory services are rendered by the Adviser to the Managers as requested, and include:

- Advice on opportunities for investments by the Funds;
- Analysis and review of businesses in which a Fund has invested (each, a “**Portfolio Company**”) or prospective Portfolio Companies;
- Advice concerning the purchase and sale of Portfolio Company securities and matters relating to a Fund’s holding of such securities;
- Periodic reports on the progress of Portfolio Companies;
- Designating a person to represent the interest of any of the Funds by serving as a director or observer of a Portfolio Company.

### C. Customization of Advisory Services

AMI provides advice to the Managers as directed by them and does not tailor advisory services to the individual needs of investors in the Funds (“**Investors**”).

**D. Wrap Fee Programs**

Not applicable.

**E. Client Assets**

As of 30 June 2014, the Firm provided non-discretionary subadvisory services in relation to US \$473,859,000 managed by the Managers in the Funds.

**Item 5: Fees and Compensation**

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**A. Compensation, Billing and Expenses, Generally**

AMI receives a service fee from AML and ALLP equal to 108% of the operating expenses incurred by AMI in the course of performing its duties. The expected operating expenses of AMI shall be set forth in a mutually agreed upon budget prior to the beginning of the fiscal year.

**B. Fee Collection from Client Accounts**

Not applicable.

**C. Other Client Expenses**

See above.

**D. Advancement of Fees**

Not applicable.

**E. Other Compensation to Supervised Persons from Sales of Securities or Other Investment Products**

Not applicable.

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

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Certain of the employees of AMI receive carried interest in the Funds. Carried interest is paid after all drawn down commitments have been repaid to the Investors. Investors are entitled to receive 80% of net profits in proportion to their commitments and the General Partner of each Fund (the “**General Partner**”) is entitled to receive 20% of net profits as carried interest. Performance based fee arrangements may create an incentive for AMI to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. As a general matter, Abingworth addresses conflicts by following a thorough, detailed and consistent decision-making process and by regular reviews of investments.

**Item 7: Types of Clients**

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The Firm provides advice to the Managers for their use in managing the Funds.

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

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### A. Approach and Investment Strategy

AMI supports the Managers' investment strategy, which takes a broad approach to investing in life sciences in terms of geography, sector and stage of investment. AMI provides its services to the Managers primarily in relation to US based investment opportunities and Portfolio Companies.

This investment strategy covers a wide range of areas within the life science and healthcare sectors including small and large molecule therapeutics, diagnostics, software, instrumentation, services, medical devices, and genomics amongst others.

As directed by the Managers, AMI considers all stages of investment covering:

- Start-ups;
- Late stage venture;
- Growth equity;
- Venture Investments in Public Equities ("VIPes"); and
- Public markets.

Refer to Item 4 of this Brochure for a description of the services provided by AMI to the Managers in pursuing this investment strategy.

### B. - C. Material Risks

The principal risks of Abingworth's investment strategy are as follows:

- **Commercial risk:** Investment in Portfolio Companies that are at a relatively early stage in their development is subject to a high degree of financial and commercial risk. Certain of these companies are likely to have very little operating history and may operate at a loss or with substantial variations in operating results from period to period. Many of the companies may need substantial additional capital to support additional development activities, expansion or to achieve a competitive position.
- **Market risk:** Portfolio Companies may be sensitive to general downward swings in the overall economy or in the life sciences sector.
- **Unquoted companies:** Investments in unquoted companies may be difficult or impossible to realise. Investments in unquoted companies are intrinsically riskier than in quoted companies as unquoted companies may be smaller, more vulnerable to changes in markets and technology and dependent on the skills and commitment of a small management team.
- **Maturity:** Investments in Portfolio Companies can take several years to mature and as a result, while their long-term performance may be good, performance in the early years may be slow to develop.
- **Minority position:** Abingworth's investment strategy normally involves taking a minority position in a Portfolio Company. A minority investor may not always be in a position to protect its interests effectively.
- **Financing:** Portfolio Companies may require financing from third party sources. In that event and assuming it is available, such financing from third parties can dilute an investment, possibly at unfavourable prices and on unfavourable terms.
- **Government approvals:** The success of the Portfolio Companies may be dependent upon obtaining certain government approvals. Companies in the life science industry typically require the approval of agencies such as the Food and Drug Administration in the US and or the European Medicines Agency prior to their products being

available to the public. The approval process is very lengthy and very costly and there can be no guarantee that a Portfolio Company will obtain the necessary approvals for its products.

- **Patent protection:** Certain of the Portfolio Companies will need to obtain patent protection for products, both in the US and in other countries. The patent position of life science companies in many countries is highly uncertain and involves complex legal, scientific and factual questions. There is no consistent policy regarding the permissible breadth of coverage of claims allowed in biotechnology patents.
- **Litigation:** Execution of Abingworth's investment strategy may result in exposure to a variety of litigation risks, particularly due to the possibility that one or more Portfolio Companies may face financial or other difficulties during the term of an investment. The investment strategy may also involve participation in Portfolio Company financings at implicit valuations lower than the valuations implicit in preceding rounds of financing.
- **Board positions:** Members of AMI personnel may serve, from time to time, as officers or directors of Portfolio Companies. Such activities, especially in light of statutes and regulations relating to corporate governance and increased scrutiny of corporate boards, could expose a Fund to regulatory action and/or claims by a Portfolio Company, its security holders and its creditors.
- **Fiduciary duty:** In their capacity as officers or directors, members of AMI personnel will be subject to fiduciary or other duties to the Portfolio Company, which may adversely affect the Fund. For example, a Fund may be prohibited from selling publicly-traded securities of a Portfolio Company if a member of AMI personnel is in possession of material non-public information relating to such company.
- **Disposal of Portfolio Company:** The process of disposing of an investment in a Portfolio Company may require the making of representations about the business and financial affairs of such company typical of those made in connection with the sale of a business and indemnification of the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities for which a Manager may establish reserves and escrows. In that regard, distributions may be delayed or withheld until such reserve is no longer needed or the escrow period expires.

#### Item 9: Disciplinary Information

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The Firm and its supervised persons have not been involved in any legal or disciplinary events that are material to the Managers' evaluation of its advisory business or the integrity of the Firm's management.

##### a) Criminal or civil action

None

##### b) Administrative proceeding

None

##### c) Self-regulatory organization (SRO) proceeding

None

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

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The management and employees of AMI plan to dedicate substantially all of their professional efforts to AMI and the services that they provide to the Managers, and currently have no significant outside business interests.

The only relationship that is material to AMI's advisory business is its relationship with ALLP and AML in connection with the services that it provides to the Managers.

**A. Broker-Dealer or Registered Representative Status**

Not applicable.

**B. Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Adviser or Associated Person Status**

Not applicable.

**C. Relationships with Other Financial Industry Participants**

Not applicable.

**D. Recommending or Selecting Other Advisers**

Not applicable.

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

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**A. Code of Ethics & Personal Trading**

Pursuant to Rule 204A-1 of the Advisers Act, we have adopted a Code of Ethics that establishes various procedures with respect to investment transactions in accounts in which AMI personnel have a beneficial interest or accounts over which an employee has investment discretion and requires them to comply with federal securities laws and report any violations of the Code. The Code of Ethics also addresses insider trading, possible family and household member conflicts, personal disclosures regarding legal and regulatory matters and confidentiality.

In general, AMI personnel (and members of their immediate households) are permitted to invest in equities, options or futures but must obtain written pre-approval from the CCO for any equity, equity linked or corporate debt security issued in a public offering (IPOs or subsequent offerings), for any equity, equity linked or corporate debt security issued in a private offering and for any transaction where the company or investment vehicle operates in the biotech, pharmaceutical, medical device or healthcare sectors. The spirit of the Code of Ethics is to discourage frequent trading in employee personal accounts. AMI personnel must also obtain pre-approval from the CCO before engaging in any outside business activities.

AMI personnel must ensure that the CCO can receive directly from the broker or account administrator duplicate brokerage statements for each account over which an employee has investment discretion and individual transaction reports for that account. These records are periodically reviewed to monitor compliance with the foregoing policies and to ensure that AMI personnel are not engaging in personal trading activity that is inconsistent with their and AMI's duty to the Firm's clients.

These policies apply to any personal transactions involving equity, debt, options, or futures. This policy does not apply to transactions involving government securities or open-end mutual funds, exchange traded funds (ETFs) or other instruments which afford the investor no discretion over individual securities transactions.

Our Code of Ethics and Personal Account Dealing Policy are reviewed annually and circulated at least annually to all AMI personnel, each of whom at least annually must certify in writing that he or she has received and followed the Code of Ethics and Personal Account Dealing Policy and any amendments thereto. Our Code of Ethics and Personal Account Dealing Policy are available upon request.

## **B. – D. Participation or Interest in Client Transactions**

AMI may recommend to a Manager an investment in a company that is already held in another Fund or in which members of Abingworth personnel or affiliates have an existing interest. In the case of private companies and investments made as a VIPE investment or in an initial public offering, such investments may not be made without the prior approval of the advisory committee (comprised of Investor representatives) of that Fund (“**Advisory Committee**”). Further, a Manager, its affiliates, members of Abingworth personnel and other Funds may coinvest alongside the Fund, subject to the terms of its Partnership Agreement and/or the prior approval of the Fund’s Advisory Committee.

Members of AMI personnel may be paid fees or awarded equity or share options by a Portfolio Company for acting as a director or for the provision of other services. In such cases, the member of AMI personnel remits the fees to the Manager of the relevant Fund, unless otherwise agreed and subject to certain exceptions discussed below. The Manager will account to the General Partner of the Fund for such fees by making an equivalent reduction in the management fee payable. Where an investment is held in more than one Fund, the fee may be allocated between the Funds on an equitable basis. A Manager may retain the following fees: 100% of any fees (to the extent that this covers the remuneration paid by AMI to the individual concerned), shares or options awarded to members of AMI personnel that take on an operational role in a Portfolio Company; and 20% of any other share options awarded to a member of AMI personnel in their capacity as a director of a Portfolio Company.

Members of AMI personnel may not purchase or sell any securities of a Portfolio Company without pre-approval from the CCO (see Code of Ethics and Personal Trading above).

## **Item 12: Brokerage Practices**

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AMI does not select or recommend broker-dealers in connection with the investment advice it provides to the Managers.

### **A. Selecting or Recommending Broker-Dealers**

Not applicable.

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

Not applicable.

#### **2. Brokerage for Client Referrals.**

Not applicable.

#### **3. Directed Brokerage.**

Not applicable.

**B. Trade Aggregation.**

Not applicable.

**Item 13: Review of Accounts**

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**A. – B. Review of Accounts**

At the request of a Manager, AMI may undertake an analysis and review of a Portfolio Company. As requested by a Manager, AMI may also submit periodic reports advising on the progress of certain of the Portfolio Companies and give advice on any matter arising from a Fund's holding of such securities. AMI does not review the Funds.

**C. Reporting**

Investors in the Funds receive audited financial statements and quarterly unaudited accounts for the particular Fund(s) in which they are invested.

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

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AMI does not currently utilize any third party marketers or solicitors for client referrals.

AMI does not currently provide its services to parties other than the Managers.

**A. Compensation from Third Parties**

Not applicable.

**B. Solicitors.**

Not applicable.

**Item 15: Custody**

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AMI does not provide custodial services to the Managers or the Funds. The Managers arrange for custody of paper stock certificates and stock held in electronic form with Centaur Fund Services Limited, State Street Bank and Trust Company and State Street Trustees Limited.

Investors in the Funds will receive audited financial statements for the particular Fund(s) in which they are invested within 120 days of the fiscal year end.

**Item 16: Investment Discretion**

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This Item is not applicable. AMI provides only non-discretionary advisory services to the Managers.

**Item 17: Voting Client Securities**

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AMI does not have proxy voting authority with respect to any security it recommends. The Managers exercise proxy voting authority for the Funds and may consult with AMI at their discretion on proxy voting matters.

**Item 18: Financial Information**

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This Item is not applicable.  
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