

**Red Alder, LLC**

**80 Broad Street, Suite 2502  
New York, NY 10004**

**June 19, 2014**

This brochure provides information about the qualifications and business practices of Red Alder, LLC. If you have any questions about the contents of this brochure, please contact Red Alder, LLC's Chief Compliance Officer ("**CCO**") John Laub at 212-257-4288 or by email at [john.laub@red-alder.com](mailto:john.laub@red-alder.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.

Additional information about Red Alder, LLC 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 initial filing of the Form ADV Part 2A for Red Alder, LLC and as such, there are no material changes to report. In the future, this Item will discuss only specific material changes that were made to the brochure and will provide a summary of such changes.

**Item 3 - Table of Contents**

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Item 2 - Material Changes .....	2
Item 3 - Table of Contents .....	3
Item 4 - Advisory Business.....	4
Item 5 - Fees and Compensation.....	4
Item 6 - Performance Fees.....	5
Item 7 - Types of Clients.....	6
Item 8 - Methods of Analysis, Sources of Information, Investment Strategies, Risk of Loss .....	6
Item 9 - Disciplinary Information .....	9
Item 10 - Other Financial Industry Activities and Affiliations.....	9
Item 11 - Code of Ethics, Participation/Interest in Client Transactions, Personal Trading .....	9
Item 12 - Brokerage Practices.....	10
Item 13 - Review of Accounts.....	11
Item 14 - Client Referrals and Other Compensation .....	11
Item 15 - Custody .....	11
Item 16 - Investment Discretion .....	12
Item 17 - Voting Client Securities .....	12
Item 18 - Financial Information .....	12

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**Item 4 - Advisory Business**

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Red Alder, LLC, a Delaware limited liability company ("**Red Alder**", the "**Firm**" or "**we**"), commenced operations in May 2012. Red Alder offers investment advisory services to Red Alder Master Fund, L.P., a Cayman Islands exempted limited partnership (the "**Master Fund**") and two feeder funds, Red Alder L.P., a Delaware limited partnership (the "**Domestic Feeder Fund**") and Red Alder Ltd., a Cayman Islands exempted company (the "**Offshore Feeder Fund**").

The Domestic and Offshore Feeder Funds invest all of their assets in the Master Fund. The Master Fund, Domestic Feeder Fund and Offshore Feeder Fund are collectively referred to as the "**Funds**" or the "**Clients**". The Funds are managed in accordance with their own objectives and are not tailored to any particular private fund investor (each an "**Investor**").

**Coppice L.P.**

Red Alder also serves as the investment adviser to Coppice L.P. (the "**Coppice Fund**"). Coppice L.P. was formed to pool investment funds of the Investors for the purpose of investing their assets with a number of investment managers selected by Red Alder. In industry parlance, Coppice Fund is a "Fund of Funds." The Coppice Fund operates as a pooled investment vehicle intended to provide diversification, management expertise and other advantages to Investors. The Coppice Fund is managed only in accordance with its own characteristics and is not tailored to any particular Investor

Red Alder had Regulatory Assets Under Management ("**RAUM**") of \$200,178,343 as of June 1, 2014.

Red Alder is owned by Schuster Tanger and Joshua Packwood.

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**Item 5 - Fees and Compensation**

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**The Funds**

We receive compensation consisting of (1) an annual fixed fee (the "**Management Fee**"); and (2) an annual performance-based allocation (the "**Performance Allocation**") which is calculated based upon a percentage of the net capital appreciation of the Funds at the end of each fiscal year.

Depending on the specific investor class, Red Alder's current fee schedule for the Funds is generally as follows:

Management Fee: 1.5% - 2% annually (dependent upon the specific series of investment by each Investor).

Performance Allocation: 15% - 20% annually (dependent upon the specific series of investment by each Investor).

The Management Fee is calculated and paid quarterly in advance. The Management Fee is deducted from the Funds. We, in our sole discretion, may waive or reduce the Management Fee to be paid by any Investor.

## The Coppice Fund

We receive compensation consisting of (1) an annual Management Fee; and (2) an annual Performance Allocation which is calculated based upon a percentage of the net capital appreciation of the Coppice Fund at the end of each fiscal year.

Red Alder's current fee schedule for the Coppice Fund is generally as follows:

Management Fee: 1% annually  
Incentive Allocation: 10% annually

### *Fees to Portfolio Managers of Underlying Funds*

The Coppice Fund is generally subject to fees charged by the underlying portfolio funds and managers. These fees typically include a fixed management fee, which generally ranges from 1% - 2% on an annual basis, and in most cases a performance-based compensation arrangement, which generally ranges from 10% - 20% of the capital appreciation in the underlying portfolio fund.

## Expenses

We are responsible for our own administrative expenses, including, but not limited to, office space, furniture and fixtures, telephone, certain compensation, employee insurance, payroll taxes, and supplies.

The Funds and the Coppice Fund will pay the costs of organizing the particular Fund, legal expenses, internal and external accounting, internal and external research fees and expenses (including research-related travel), consulting fees (related to research), audit and tax preparation expenses, any taxes, filing fees, fund-related insurance costs (including D&O and E&O insurance), Directors' fees and expenses, Administrator and custody fees and expenses, brokerage commissions, borrowing charges (including interest on borrowings), and the purchase, sale or transmittal of assets, as Red Alder determines in its discretion.

## Item 6 - Performance Fees

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### The Funds

At the end of each fiscal year, Red Alder (or an affiliated entity) will receive an annual Performance Allocation equal to 15% - 20% of the net profits attributable to each Investor's account, if any, subject to a loss carryforward provision. Net profits are calculated net of management fees, but before the Performance Allocation. The Performance Allocations are charged in compliance with Rule 205-3 of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**").

Because all of the Funds are managed in the Master Fund, there are currently no side-by-side conflict of interest issues, such as allocation decisions which may be impacted by performance-based fee differentials.

### The Coppice Fund

At the end of each fiscal year, Red Alder (or an affiliated entity) will receive an annual Performance Allocation equal to 10% of the net profits attributable to each Investor's account, if any, subject to a loss carryforward provision. Net profits are calculated net of

management fees, but before the Performance Allocation. The Performance Allocations are charged in compliance with Rule 205-3 of the Advisers Act.

Red Alder may waive or modify the Performance Allocation as to certain Investors in the Funds or the Coppice Fund that are members, employees or affiliates of Red Alder, relatives of such persons, and for certain large or strategic investors.

For a more detailed discussion on performance allocations, please see the relevant Fund's offering memorandum.

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**Item 7 - Types of Clients**

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The Firm's clients are the Funds and Coppice L.P. Each Fund's and the Coppice Fund's offering memorandum and subscription documents provide the eligibility criteria and minimum investment requirements.

In general, each Investor in the Funds and the Coppice Fund must be an "accredited investor" as defined in Regulation D under the Securities Act of 1933, as amended, and a "qualified client" as defined in Rule 205-3 under the Investment Advisers Act of 1940, as amended. Although Red Alder has the authority to accept subscriptions of a lesser amount, the required minimum initial investment in the Funds is generally \$1,000,000 to \$5,000,000 depending on the specific investor class of each particular Fund.

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**Item 8 - Methods of Analysis, Sources of Information, Investment Strategies, Risk of Loss**

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***Investment Strategy*****The Funds**

We employ a fundamentally-oriented, bottom-up, event-driven strategy dedicated to capitalizing on asymmetric risk and reward opportunities. We intend to invest predominantly in equity securities domiciled in the United States with a focus on companies with smaller market capitalizations. We will focus on taking advantage of aligned incentives and flexibility to pursue longer-term strategies without overly focusing on managing short-term volatility. In the absence of appealing investment opportunities, we may at times hold a significant cash balance.

**The Coppice Fund**

The Fund primarily invests in research-driven (fundamentally driven) long-short equity funds. We are responsible for conducting research and due diligence on managers and making investment recommendations to the Fund. We use a proprietary research and due diligence process to gather information to help us make investment decisions. We use both quantitative and qualitative methods to analyze the underlying managers. Our quantitative analysis begins with an analysis of the historical track record of the manager.

We conduct qualitative analysis through a variety of sources including, but not limited to, the manager's Form ADV and offering documents. The due diligence process is ongoing and includes in person meetings with the investment managers. We request that managers with whom our Fund invests contact us promptly if there are any substantial changes to the manager's fund or organization.

**Risk of Loss**

Investing in securities involves risk of loss that investors should be prepared to bear. The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Funds. Please review each Fund's Confidential Private Placement Memorandum for a more detailed description of the risks of loss before deciding to invest in a Fund.

It is important to note that a number of the risk factors described above for the Funds also relate to the underlying investment funds and advisers we select for investments on behalf of the Coppice Fund.

*The Funds**Dependence on Certain Personnel*

The success of the Funds and the Coppice Fund is dependent upon the talents and efforts of highly skilled individuals employed by Red Alder and our ability to identify and willingness to provide acceptable compensation to attract, retain and motivate talented investment professionals and other employees. There can be no assurance that our investment professionals will continue to be associated with Red Alder throughout the life of the Funds or the Coppice Fund. The loss of the services of our key personnel could have a material adverse effect on the Funds or the Coppice Fund.

*Equities*

The Master Fund and the underlying funds in which the Coppice Fund invests may invest its capital in long and short positions in equities, deferred interest obligations and other investments which do not produce current income for the Funds. Equity prices are directly affected by issuer-specific events, as well as general market conditions. In addition, in many countries investing in equity is subject to heightened regulatory and self-regulatory scrutiny as compared to investing in debt or other financial instruments.

*Concentration Risk*

The Master Fund or the underlying funds in which the Coppice Fund invests may make investments that may be concentrated in the securities of relatively few issuers or issuers engaged in one or a few industries if we believe that market conditions warrant such concentration. During periods when the Master Fund has concentrated its investments in a smaller number of issuers or industries, its risk of loss will be higher than would be the case with a diversified portfolio due to the possibility that the Master Fund's investments will experience losses greater than the market as a whole. Further, we cannot assure investors that the Funds will perform with any degree of non-correlation to their other investments.

*Smaller Capitalization Companies*

A substantial portion of the Master Fund's or the underlying funds in which the Coppice Fund invests may make investments in the equity securities of smaller and less well established companies. The earnings and stock prices of such smaller companies tend to be more volatile and the markets for their stocks tend to be less liquid, with resulting higher risk of loss, when compared to investments in larger and better established companies. The markets for "small cap" stocks are also more likely to be affected during periods when markets are disrupted.

*Short Sales*

We will sell securities short and the underlying funds in which the Coppice Fund invests will also sell short securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Funds of buying those securities to cover the short position. There can be no assurance that the Master Fund (or an underlying fund in which the Coppice Fund may invest) will be able to maintain the ability to borrow securities sold short. In such cases, the Master Fund can be “bought in” (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short strategies can also be implemented synthetically through various instruments and be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and the Master Fund may be entirely dependent on the willingness of over-the-counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market makers will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Lastly, even though the Funds secure a “good borrow” of the security sold short at the time of execution, the lending institution may recall the lent security at any time, thereby forcing the Funds to purchase the security at the then-prevailing market price, which may be higher than the price at which such security was originally sold short by the Master Fund.

*Derivatives*

Derivative instruments, or “derivatives,” include futures, options, swaps, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading, including liquidity risk and counterparty risk.

*Hedging Transactions*

We may utilize securities for risk management purposes in order to: (i) protect against possible changes in the market value of the Master Fund investment portfolio resulting from fluctuations in the markets and changes in interest rates; (ii) protect the Funds’ unrealized gains in the value of its investment portfolio; (iii) facilitate the sale of any securities; (iv) enhance or preserve returns, spreads or gains on any security in the Funds’ portfolio; (v) hedge against a directional trade; (vi) hedge the interest rate, credit or currency exchange rate on any of the Funds’ securities; (vii) protect against any increase in the price of any securities we anticipate purchasing at a later date; or (viii) act for any other reason that we deem appropriate. We will not be required to hedge any particular risk in connection with a particular transaction. We may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to attempt to hedge against it. While we may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall



performance for the Funds than if it had not engaged in any such hedging transaction. Moreover, the portfolio will always be exposed to certain risks that cannot be hedged.

### The Coppice Fund

#### *Multi-Manager Structure*

The Coppice Fund, as with any multi-manager structure is subject to risk of the illiquidity of the underlying portfolio funds in which it invests, lack of control over, or even satisfactory knowledge of, the trading of the portfolio managers, the possibility of misvaluations, entrusting custody of the multi-manager assets to third parties and dependence on the portfolio managers for all relevant net asset value and trading information. In addition, as a strategy, the opportunity costs of the multi-manager approach might not merit its expected risk control benefits, especially in an environment in which the returns on alternative strategies are generally expected to remain depressed for some period of time.

In addition, because we invest with portfolio managers who make their trading decisions independently, it is theoretically possible that one or more of such portfolio managers may, at any time, take investment positions that are opposite of positions taken by other portfolio managers. It is also possible that the portfolio managers may on occasion be competing with each other for similar positions at the same time. A portfolio manager may take positions for its other clients that are opposite to positions taken for the Coppice Fund.

### **Item 9 - Disciplinary Information**

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Neither we nor any of our management personnel are subject to or have in the past been subject to any criminal or civil action in any domestic or foreign court, and neither we nor any of our management personnel have been subject to any administrative proceedings before the SEC or any other state, federal or foreign financial regulatory authority.

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

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Neither we nor any of the Firm's management personnel have any relationships or arrangements that pose material conflicts of interest to the business of Red Alder.

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

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#### **Code of Ethics Pursuant to Rule 204A-1 of Advisers Act**

Pursuant to Rule 204A-1 of the Advisers Act, Red Alder has adopted a Code of Ethics and Employee Investment Policy for the purpose of instructing employees about their fiduciary obligations to Clients and to provide rules for their personal securities transactions. We will provide a copy of the Code of Ethics to any Investor upon request.

The spirit of the Code of Ethics and Employee Investment Policy is to discourage frequent trading in employee personal accounts. In addition, employees must pre-clear certain personal trades with the CCO, and may not acquire securities for their own account in an initial public offering or a private placement without pre-approval from the CCO. Employees must also obtain pre-approval from the CCO before engaging in any outside business activities.

All employees must provide duplicate copies of brokerage statements to the CCO. These records are used to monitor compliance with the foregoing policies. Currently, no employee has any personal account trading activity.

## **Item 12 - Brokerage Practices**

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As a fiduciary to the Funds, the Funds' interests must always be placed first and foremost, and our trading policies and procedures prohibit unfair trading practices and seek to disclose and to avoid any actual or potential conflicts of interest or resolve such conflicts in the Funds' favor. We have adopted the following policies and procedures to meet our fiduciary responsibilities and to insure that our trading practices are fair to all Clients and that no Client is advantaged or disadvantaged over any other.

### **Best Execution for the Funds**

As an investment adviser, we have a duty to obtain "Best Execution" for the transactions in the Funds. Elements of Best Execution may include best price (best price is considered to be the highest price that a client can sell a security and the lowest price that a client can purchase a security), timeliness of execution, the value of research provided, the responsiveness of the broker-dealer to the Firm, and the broker-dealer's financial resources.

### **Trade Allocation**

Currently, all trades for the Funds are executed in the Master Fund so we do not have trade allocations between multiple Funds or client accounts. Any investment decisions that affect more than one account may require us to acquire or dispose of the same security for more than one Fund at the same time. Our policy is to equitably allocate, buy, and sell executions among the Funds when feasible and appropriate over time.

If we are to manage additional funds, or client accounts in the future we anticipate that trade allocations shall generally be determined on a pro-rata basis according to the amount of assets in each fund or client account subject to any modification and provided that the trade is appropriate and permitted for each account that will participate in that transaction. Allocation methods may be modified when strict adherence to the usual allocation is impractical or leads to inefficient or undesirable results.

### **Aggregation of Orders**

In the event we advise and trade in additional funds or client accounts, it is our intention that we will aggregate trade orders for our client accounts in order to achieve more efficient execution or to provide for equitable treatment among our client accounts. The client accounts participating in aggregated trades generally will be allocated securities based on a pro-rata basis at the price achieved for those trades.

### **Trade Errors**

On occasion we may experience errors with respect to trades made on behalf of the Funds. Trade errors can result from a variety of situations, including for example, when the wrong security is purchased or sold, when the correct security is purchased or sold but for the wrong account, when the wrong amount is purchased or sold or when a misallocation among the Funds occurs. We endeavor to detect trade errors prior to settlement and correct them in an expeditious manner.

The SEC has stated a general view that an adviser has a fiduciary duty to place trades accurately. Accordingly, we generally will only reimburse losses suffered by a Client as a result of a trade error caused by the Firm as a result of our gross negligence, willful misconduct or fraud. In addition, we will not correct a trade error made for one Fund by causing the other Fund to buy or sell the securities. We also will not directly or indirectly use soft dollars to correct trade errors.

### **Soft Dollars**

Section 28(e) of the Securities Exchange Act of 1934, as amended, is a “safe harbor” that permits an investment adviser to use commissions or “soft dollars” to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process. We limit the use of “soft dollars” to obtain research and brokerage services within the meaning of Section 28(e). In the past fiscal year, Red Alder has utilized “soft dollars” for both research and brokerage services.

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

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### **Review of Accounts**

We engage in active management and frequent transactions for the Funds and, accordingly, typically review our transactions, positions and cash balances on a daily basis.

We have also engaged an independent administrator to prepare monthly unaudited reports reviewing each Fund’s performance for the month. The Funds issue financial statements, which are audited and are distributed to investors in such Funds on an annual basis.

### **Reporting**

As soon as practicable after the end of each year, we will distribute an audited financial report for the Funds with respect to the previous fiscal year to all investors within 120 days of year-end.

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

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We do not currently utilize any third party marketers or solicitors.

## **Item 15 - Custody**

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While it is Red Alder’s practice not to accept or maintain physical possession of any of the assets of the Funds or the Coppice Fund (and our Funds assets and the Coppice Funds assets are in the custody of one or more custodians, prime brokers and or banks), we are deemed to have custody of their assets under Advisers Act Rule 206(4)-2 because we have the authority to access Client funds and to deduct fees and expenses from the Funds’ and the Coppice Fund’s accounts.

To comply with Rule 206(4)-2, we utilize the services of a bank or qualified custodian to hold all assets of the Funds and the Coppice Fund except those assets that are not capable of being held by a custodian. We also confirm that the qualified custodian maintains these assets in accounts bearing each Fund’s or the Coppice Fund’s name that contain only assets of such fund.

While Rule 206(4)-2 generally requires an investment adviser to provide for a qualified custodian to send account statements to all of its clients whose assets the custodian holds at

least quarterly, we are not subject to such requirement because the Funds are subject to audit at least annually by an independent auditor that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board.

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**Item 16 - Investment Discretion**

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We generally have discretionary authority to determine, without obtaining specific consent, securities to be bought or sold, the amount of securities to be bought or sold, broker-dealer to be used and the commission rates to be paid. Any limitations on authority are included in each Fund's and the Coppice Fund's investment management agreement or governing documents, as applicable.

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**Item 17 - Voting Client Securities**

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We have established proxy voting policies and procedures designed to ensure that proxies are voted in the best interest of the Clients. When voting proxies, Red Alder must identify and address material conflicts that may arise between the Firm's interests and those of the Funds. Specifically, Red Alder monitors the potential for conflicts of interest that might arise from personal relationships that the Firm or its employees may have with parties involved in the vote, significant investor relationships with those parties, and other special circumstances.

If we determine that a conflict of interest exists as to a particular issuer, the CCO will determine whether the conflict is material to the vote. If it is determined not to be material, we will vote without further procedures. If it is determined to be material, we will resolve the conflict in one of several possible ways, such as by engaging a third party to recommend a vote.

We do not anticipate owning on behalf of the Coppice Fund any equity securities granting us the right to vote proxies.

Investors may request a copy of our proxy voting policies, as well as relevant proxy voting records, by contacting the CCO.

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**Item 18 - Financial Information**

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Red Alder has no financial commitment that impairs the Firm's ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of a bankruptcy proceeding.