

## **Ridgeback Asset Management LP**

**March 25, 2019**

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**This brochure provides information about the qualifications and business practices of Ridgeback Asset Management LP (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 (212) 624-2600 or at [info@ridgebackcap.com](mailto:info@ridgebackcap.com). This information has not been approved or verified by the SEC or by any state securities authority.**

**Additional information about Ridgeback Asset Management LP 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.

Ridgeback Asset Management LP  
75 9th Avenue, 5<sup>th</sup> Floor  
New York, NY, 10011  
Tel: (212) 624-2600  
Fax: (646) 349-4770  
Website: [www.ridgebackcap.com](http://www.ridgebackcap.com)

### **Item 2 - Material changes**

There have been no material changes to this brochure since the Adviser’s last annual Form ADV filing on March 30, 2018. Please be aware the following change and other non-material changes have been included in this brochure:

- Item 4 of this Brochure has been updated to reflect the Adviser’s discretionary and non-discretionary assets under management as of December 31, 2018.

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#### **Item 4. Advisory Business**

The Adviser is an investment adviser with its principal place of business in New York, New York. The Adviser commenced operations as an investment adviser in August 2017. Ridgeback Asset Management GP LLC, a Delaware limited liability company is the general partner of the Adviser, and Dr. Wayne Holman is the managing member of the general partner of the Adviser.

The Adviser provides advisory services on a discretionary basis to two private funds (each, a “Client”), which are offered to sophisticated investors and institutional investors. Each Client has issued two series and intends to issue additional series in the future. Each series generally will be invested in a single issuer in the healthcare sector. Dr. Holman, entities controlled by Dr. Holman and certain persons related to the Adviser intend to invest alongside the third party, unaffiliated investors in each series. As of December 31, 2018, the Adviser manages two Clients: Ridgeback Opportunities Fund LP and Ridgeback SPV 1 LP.

The Adviser provides advice to Clients based on their specific investment objectives and strategies (see Item 8 for a discussion of the Adviser’s strategies). The Adviser does not tailor advisory services to the individual needs of Clients, and Clients may not impose restrictions on investing in certain securities or certain types of securities.

The Adviser bases its advice to Clients on the investment objectives and restrictions (if any) set forth in the applicable offering memorandum, organizational documents, limited partnership agreement, investment management agreement, and/or subscription agreements, as the case may be (each, a “Governing Document” and collectively, the “Governing Documents”).

The Adviser does not currently participate in wrap-fee programs.

As of December 31, 2018, the Adviser has \$66.12 million in regulatory assets under management that the Adviser manages of a discretionary basis. The Adviser does not manage any assets on a non-discretionary basis.

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## Item 5. Fees and Compensation

### Asset-Based Compensation

With respect to each Client, the Adviser will be paid an investment management fee of 1.00% per annum based on the value of each investor's investment in the applicable Client. Investment management fees are charged each quarter in advance based on the value of each investor's investment in the applicable Client as of the first day of the quarter. If an investor receives a distribution or makes a new investment in a Client during a quarter, the investment management fee will be adjusted to account for any distribution of capital or capital contribution.

The Adviser may waive or modify its investment management fees in its discretion. Investment management fees are deducted and paid to the Adviser or its affiliates from the applicable Client's assets attributable to that investor.

### Performance-Based Compensation

With respect to each Client, an affiliate of the Adviser will be entitled to receive performance-based compensation.

The Adviser's affiliate generally will be entitled to receive performance-based compensation from each Client equal to 20% of net profits, if any, in excess of a cumulative, non-compounded preferred return of 7% per annum (the "Preferred Return"), calculated upon the return of capital to investors in the applicable Client.

The Adviser may waive or modify its performance-based compensation in its discretion.

Performance-based compensation is reallocated to an affiliate of the Adviser from the applicable Client's assets attributable to that investor.

### Expenses

Clients advised by the Adviser may incur expenses in connection with, among other things, brokerage practices discussed in Item 12; legal, accounting (including external accounting and valuation expenses), auditing and other professional expenses; tax preparation and other tax related expenses (including preparation costs of financial statements and tax returns); administrator and other service provider fees and expenses; a Client's portion of insurance expenses (including directors' and officers' insurance, errors and omissions insurance, fidelity insurance and other similar policies); organizational and offering expenses; expenses associated with certain reporting to existing and prospective investors in the Clients; expenses of regulatory filings and reporting (including but not limited to Form PF, Section 13 and Section 16 filings) to the extent they are in connection with, relate to or derive from a Client or that Client's investment activities; fees and expenses related to the negotiation of agreements with investors in a Client, including side letters; expenses incurred in connection with investments of a Client and prospective investments of a Client (and the evaluation of such investments) whether or not consummated, including, without limitation, research products and services, research travel-related costs and expenses, retainers to third party consultants/advisors, research reports and consultations (including, without limitation, expert consultants and third party consultants/advisors), statistical data, market data and portfolio management analytics and software, including, without limitation, certain aspects of the order management system and third-party electronic data storage and processing related to research; all transaction and investment-related costs and fees, including, without limitation, commissions, interest on margin accounts and other indebtedness; expenses relating to the offer and sale of Interests (including, but not limited to, expenses related to registration, exemption and investor subscription filings made by or on behalf of a Client) and withdrawals

and transfers thereof; custodial and banking fees, registrar and transfer agent fees, bank service fees; expenses incurred in connection with a Client's dissolution, liquidation, winding-up and termination; and other reasonable expenses related to the purchase, sale, transmittal or preservation of a Client's assets.

Client assets may be invested in money market mutual funds or similar cash management instruments. In these cases, the Client will bear its pro rata share of the investment management fee and other fees of such investments, which are in addition to the investment management fee paid to the Adviser.

While the above noted expenses are borne by Clients, the Adviser may, in its sole discretion, determine to bear all or any portion of a particular expense based on the circumstances related to the expense.

From time to time, the Adviser has and will engage individuals as consultants or advisors ("Consultants") who are not employees of the Adviser, but are paid fees for services provided to Clients managed by the Adviser, including services related to the Adviser's investment process. The terms of engagement, including compensation arrangements for Consultants, are generally agreed upon between the Consultants (or an affiliate) and the Adviser at the time of engagement and will vary depending upon the nature of the services provided to the Adviser. For example, the Adviser has previously engaged, and may in the future continue to engage, a Consultant to provide it with specialized scientific advice. These fees and expenses are generally allocated to the Clients that benefit from the services and are not borne by the Adviser. The Adviser assesses the benefit(s), if any, of the particular Consultant's services to the Clients on at least a quarterly basis to determine whether all or a portion of the fee paid to a particular Consultant should be allocated to one or more Clients managed by the Adviser.

Under its current expense allocation policy, the Adviser generally expects to allocate common expenses among its Clients pro rata based on the Client's assets under management at the time the expense is paid. The Adviser may, however, deviate from pro rata allocations where the nature of the expense or other relevant factors would make it fair, reasonable and equitable to do so, as determined in the sole discretion of the Adviser. When reviewing whether to allocate an expense other than pro rata, the Adviser may consider the following factors: relative use of the product or service, the nature or source of the product or service, the relative benefits derived by the Clients from the product or service, or other relevant factors.

The Adviser and its affiliates may in the future enter into, agreements, or "side letters," with certain prospective or existing investors whereby such investors may be subject to terms and conditions that are more advantageous than those set forth in the Governing Document. Such terms and conditions may provide for special rights to make future investments; special redemption rights, relating to frequency or notice; a waiver or rebate in fees or redemption penalties to be paid by the investor and/or other terms; rights to receive reports on a more frequent basis or that include information not provided to other investors (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by the Adviser and such investor. The modifications are solely at the discretion of the Adviser.

Neither the Adviser nor its supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees.

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

The Adviser and its investment personnel may provide investment management services to multiple portfolios for multiple Clients. An affiliate of the Adviser is entitled to receive performance-based compensation from its Clients. This performance-based compensation may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements. In addition, the Adviser's investment personnel are typically compensated on a basis that includes a performance-based component. When the Adviser and its investment personnel manage more than one Client, the potential exists for one Client to be favored over another Client to the extent the Clients' mandates allow them to invest in same security or financial instrument. The Adviser and its investment personnel have a greater incentive to favor Clients that pay the Adviser (and indirectly its investment personnel) performance-based compensation.

Accordingly, the Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple Clients, including Clients with different fee arrangements, and the allocation of investment opportunities. The Adviser reviews investment decisions for the purpose of ensuring that all Clients with substantially similar investment objectives are treated equitably. In addition, the Adviser's procedures relating to the allocation of investment opportunities require that eligible Clients with the same or substantially similar investment mandates and strategies participate in investment opportunities pro rata based on the relative value of the assets of each participating accounting; provided, however that the Adviser may allocate investment opportunities to such Clients on a non-pro rata basis due to a consideration of factors including but not limited to available cash, correlation with and the volatility of existing investments, liquidity provisions associated with the particular investments and investment time horizon of the particular Client. To the extent orders are aggregated, the Client orders are price-averaged and allocated in accordance with the aggregated order; provided, that the aggregated order may be allocated on a different basis for reasons including but not limited to partially filled orders and to avoid odd lots or excessively small allocations. Finally, the Adviser's procedures also require the objective allocation for limited opportunities (such as initial public offerings and private placements) to ensure fair allocation among Clients. These areas are monitored by the Adviser's Chief Compliance Officer.

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**Item 7. Types of Clients**

The Adviser has two Clients, which are both private investment funds. These private investment funds established operations in January 2018.

The minimum initial investment for an investor in one of the Adviser's Clients is \$2,000,000, and such amount may be reduced in certain circumstances.

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

### Methods of Analysis

The Adviser seeks to generate attractive returns primarily by investing in a portfolio of publicly-traded equity securities with a specific focus in the healthcare sector. With respect to its Clients, the Adviser intends to make large, concentrated investments. In order to maintain flexibility in a challenging market environment, the Adviser on behalf of its clients may invest in value and growth companies and in domestic and international companies in the healthcare sector.

There can be no assurance that a Client will achieve its investment objective.

### Material Risks (Including Significant, or Unusual Risks) Relating to Investment Strategies.

The following summary identifies the material risks related to the Adviser's significant investment strategies and should be carefully evaluated before making an investment with the Adviser; however, the following does not intend to identify all possible risks of an investment with the Adviser or provide a full description of the identified risks.

*Investments in Life Science and Healthcare Companies.* Life science and healthcare securities, especially those of smaller, research-oriented companies, can be more volatile than the overall market. Research-stage companies in the biotechnology, pharmaceutical, and medical device sectors in which the Adviser may invest may allocate, or may have allocated, greater than usual amounts to research and product development. The valuations of such companies may experience significant changes associated with the perceived prospects of success of the research and development programs. Only a limited number of life science and healthcare companies have reached the point of approval of products by government regulatory bodies, such as the FDA and the EMA, and the subsequent commercial production and distribution of such products. Therefore, the success of investments in the healthcare sector generally, and the biotechnology industry in particular, is often based upon expectations about future products, research progress, and new product filings with regulatory authorities. In addition, a number of these companies may have limited operating histories. As a result, these companies may face undeveloped or limited markets, have limited products, have no proven profit-making history, operate at a loss, have limited access to capital and/or be in the developmental stages of their businesses.

Further, many life science and healthcare companies with proprietary platform technologies rely on patent protection and non-disclosure agreements to establish and protect their proprietary rights, which may be essential to the growth and profitability of the company. Patents have limited duration and, upon expiration, competitors may market substantially similar "generic" products which cost less to develop and may cause the original developer of a product or service to lose market share and/or reduce prices, resulting in lower profits for the original developer. In addition, there can be no assurance that a particular company will be able to protect these rights, or will have the financial resources to do so. Conversely, other companies may make infringement claims against a company in which the Adviser invests, which could have a material adverse effect on such company.

The healthcare sector is subject to extensive government regulation. The industry will be affected by government regulatory requirements, regulatory approval for new drugs and medical products, product liability concerns, and similar significant matters. Changes in governmental policies may have a material effect on the demand for or costs of certain healthcare products and services and securities prices of healthcare companies can fluctuate dramatically as a reaction to adverse legal judgments and the adverse publicity associated with accompanying threatened litigation. As these factors impact the industry, the value of a Client's interests may fluctuate significantly over relatively short periods of time.



Healthcare companies are frequently dependent upon private and governmental third-party sources of reimbursement for products and services provided to their customers. In addition to market and cost factors affecting the fee structures implemented by healthcare companies, numerous Medicare and Medicaid regulations, cost containment and utilization decisions of third-party payers and other payment factors over which the companies do not have control may affect the amount of payment that healthcare companies receive for their products and services. These third-party payers are increasingly challenging the prices charged for healthcare products and services and, in some cases, refusing payments for products and services they deem inappropriate.

*Lack of Diversification/Portfolio Concentration.* It is anticipated that Client portfolios will be invested primarily in equities in the healthcare sector. A Client portfolio generally will only invest in a single security of an issuer. Accordingly, the Client portfolios will not be diversified among industries and issuers. Accordingly, the Client portfolios may be subject to more rapid change in value than would be the case if the Client portfolios were required to maintain a wide diversification among industries, investment areas, types of securities and issuers.

*Biotechnology Related Risks.* The Adviser, on behalf of its Clients, expects to invest in biotechnology companies in the healthcare sector. These biotechnology companies may allocate, or may have allocated, greater than usual amounts to research and product development. The securities of such companies may experience above-average price movements associated with the perceived prospects of success of the research and development programs. In addition, companies in which the Adviser invests could be adversely affected by lack of commercial acceptance of a new product or products or by technological change and obsolescence. Some of these companies may have limited operating histories. As a result, these companies may face undeveloped or limited markets, have limited products, have no proven profit-making history, may operate at a loss or with substantial variations in operating results from period to period, have limited access to capital and/or be in the developmental stages of their businesses.

Further, many biotechnology companies rely on a combination of patent, copyright, trademark and trade secret protection and non-disclosure agreements to establish and protect their proprietary rights, which may be essential to the growth and profitability of the company. There can be no assurance that a particular company will be able to protect these rights or will have the financial resources to do so, or that competitors will not develop or patent technologies that are substantially equivalent or superior to the technology of a company in which the Adviser invests. Conversely, other companies may make infringement claims against a company in which the Adviser invests, which could have a material adverse effect on such company.

The markets in which many biotechnology companies operate are extremely competitive. New technologies and improved products and services are continually being developed, rendering older technologies, products and services obsolete. Moreover, competition can result in significant downward pressure on pricing. There can be no assurance that companies in which the Adviser invests will successfully penetrate their markets or establish or maintain competitive advantages.

*Regulatory and other risks associated with Healthcare and Biotechnology-related Companies.* The products (i.e., medical devices and/or new and existing drugs) offered and developed by healthcare and biotechnology-related companies are highly regulated. New products require clinical trials and other regulatory approvals. Even after a product has passed clinical trials, there are other regulatory hurdles that may affect the commercial viability of a company's product, including the rejection of marketing applications, forced withdrawals of approved drugs from the market or other events that can lead to the commercial failure of an approved drug. For example, Rofecoxib, which is a nonsteroidal anti-inflammatory drug and commonly marketed under the brand name, Vioxx, was withdrawn from the market approximately five years after FDA approval. Vioxx was prescribed to as many as 80 million people at some point in time and had billions of dollars of sales in the year prior to its withdrawal, but the drug was pulled from the market because of concerns about increased risk of heart attacks and strokes

*Equity Securities.* The value of equity securities fluctuates 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. Terrorism and related geopolitical 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.

*Hedging Transactions.* The Adviser may utilize a variety of financial instruments such as derivatives, options, and swaps for both risk management and general investment and speculation purposes. With respect to the Adviser's risk management and hedging transactions for its Clients, there can be no assurances that a particular hedge is appropriate, or that a certain risk is measured properly. Further, while the Adviser, on behalf a Client, may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for that Client than if it did not engage in any such hedging transactions. Moreover, Clients will always be exposed to certain risks that cannot be hedged, such as credit risk (relating both to particular securities and counterparties). In addition, the Advisor may choose not to enter into hedging transactions with respect to some or all of its positions.

*Non-U.S. Securities.* Investing in securities of non-U.S. governments and companies which are generally denominated in non-U.S. currencies and utilization of options on non-U.S. securities involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of the United States Government or United States companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

*Foreign Currency and Exchange Rate Risks.* Client assets and income are denominated in various currencies. Contributions, distributions, and redemptions, however, are denominated in U.S. dollars. As a result, a Client's rate of return on any investment may be adversely affected by fluctuations in currency exchange rates, any future imposed devaluations of local currencies, inflationary pressures, and the success of the investment itself. The Adviser may or may not engage in hedging against currency risk. In addition, Clients may incur costs in connection with conversions between various currencies.

### **Additional Risks Relating to the Adviser**

*Importance of Dr. Wayne Holman.* The authority to make decisions and to exercise business discretion on behalf of the Clients is delegated to the Adviser. The Adviser relies heavily on the services of Dr. Holman. Dr. Holman is responsible for all of the major decisions affecting the Adviser. The business and results of the operations of the Adviser may be adversely affected if Dr. Holman discontinues managing the affairs of, or withdraws from, the Adviser or if Dr. Holman dies, is incapacitated or, for some other reason, is unable to effectively manage the affairs of the Investment Manager.

*Business and Regulatory Risks of Alternative Asset Managers.* Legal, tax and regulatory changes could occur that may adversely affect alternative investments, which are the focus of the Adviser's strategies. The legal, tax and regulatory environment for alternative investments continues to evolve, and changes in such regulation may adversely affect the value of such investments in our strategies. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies, and retain the right to suspend or limit trading in securities, which could expose our accounts to losses. The effect of any future regulatory change on a Client could be substantial and adverse including, for example, increased compliance costs, the prohibition of certain types of trading and/or the inhibition of a Client's ability to pursue certain of its investment strategies as described herein.

*Cybersecurity Risk.* The information and technology systems of the Adviser and of key service providers to the Adviser and its clients may be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Adviser has implemented various measures designed to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, it may be necessary for the Adviser to make a significant investment to fix or replace them and to seek to remedy the effect of these issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of the Adviser or its Clients and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information.

*Risk Management Failures.* Although the Adviser attempts to identify, monitor and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Moreover, many risk management techniques, including those employed by the Adviser, are based on historical market behavior, but future market behavior may be entirely different and, accordingly, the risk management techniques employed on behalf of clients may be incomplete or altogether ineffective. Similarly, the Adviser may be ineffective in implementing or applying risk management techniques. Any inadequacy or failure in risk management efforts could result in material losses to Clients.

*Systems and Operational Risk.* The Adviser relies on certain financial, accounting, data processing and other operational systems and services that are employed by the Adviser and/or by third party service providers, including prime brokers, the third party administrator, market counterparties and others. Many of these systems and services require manual input and are susceptible to error. These programs or systems may be subject to certain defects, failures or interruptions. For example, the Adviser and its Clients could be exposed to errors made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or related to other similar disruptions in the clients' operations. In addition, despite certain measures established by the Adviser and third party service providers to safeguard information in these systems, the Adviser, clients and their third party service providers are subject to risks associated with a breach in cybersecurity which may result in damage and disruption to hardware and software systems, loss or corruption of data and/or misappropriation of confidential information. Any such errors and/or disruptions may lead to financial losses, the disruption of the client trading activities, liability under applicable law, regulatory intervention or reputational damage.

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**Item 9. Disciplinary Information**

This item is not applicable.

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**Item 10. Other Financial Industry Activities and Affiliations**

The Adviser and an affiliate of the Adviser currently rely on an exemption from registration as a commodity pool operator pursuant to Regulation 4.13(a)(3) promulgated by U.S. Commodity Futures Trading Commission ("CFTC").

Neither the Adviser nor any of its affiliates is a registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

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

The Adviser has adopted a Code of Ethics (the “Code”) that establishes the standard of business conduct that all related persons of the Adviser must follow. The Code comprises the following general principles which all related persons have agreed to uphold: (i) to put the interests of the Adviser’s clients before their own interests, (ii) to conduct the Adviser’s business in a manner consistent with the Code, (iii) to avoid taking any inappropriate advantage of one’s position at the Adviser, (iv) to maintain confidentiality of all information concerning the Adviser’s business, and (v) to provide full, fair, and accurate disclosure required by auditors, regulators, or other government entities. The Code also provides guidelines for related persons regarding (i) preclearing and reporting of securities transactions, (ii) engaging in activities outside of the Adviser’s business, (iii) documenting close personal or family relationships, and (iv) giving and receiving business-related gifts and providing and receiving entertainment. All of the Adviser’s personnel are also required to comply with applicable securities laws, and to report any violation or suspected violation of the Code to the Chief Compliance Officer.

The Adviser’s related persons, in the course of their investment management and other activities, may come into possession of confidential or material non-public information about issuers, including issuers in which the Adviser, the Client or their related persons have invested or seek to invest on behalf of clients. The Adviser’s related persons are prohibited from improperly disclosing or using such information for their own benefit or for the benefit of any other person, regardless of whether such other person is a client. The Adviser maintains and enforces written policies and procedures that are designed (i) to prohibit the communication of such information to persons who do not have a legitimate need to know such information and (ii) to assure that the Adviser satisfies its obligations to clients and remains in compliance with applicable law. In certain circumstances, the Adviser’s related persons may possess certain confidential or material, non-public information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser’s related persons will be prohibited from communicating such information to the client or using such information for the client’s benefit. In such circumstances, the Adviser will have no responsibility or liability to the client for not disclosing such information to the client (or the fact that the Adviser possesses such information), or not using such information for the client’s benefit, as a result of following the Adviser’s policies and procedures designed to provide reasonable assurances that it is complying with applicable law or regulation.

The Adviser and its related persons may give and/or receive gifts, services or other items to/from any person or entity that does business with or potentially could conduct business with or on behalf of the Adviser. The Adviser has adopted policies and procedures governing gifts and business entertainment, which includes periodic disclosure of gifts and business entertainment in excess of certain de minimis thresholds and pre-clearance by the Chief Compliance Officer prior to giving/receiving gifts above a certain de minimis threshold.

The Adviser or its related persons, as principal, may buy securities from or sell securities to its Clients. This practice could create a conflict of interest because the Adviser or related person may have an incentive to buy securities from or sell securities to Clients based on its own financial interests, rather than solely the interests of a Client. The Adviser generally does not itself trade securities on a principal basis with Clients. To the extent that the Adviser and/or its related persons engage in principal securities transactions, any such transactions will comply with Section 206(3) of the Advisers Act.

As a general matter, to the extent a Client is invested in a particular security, the Adviser’s personnel are not permitted to engage in securities transactions in those securities for their personal securities accounts, except as described below. Given that each Client generally will invest in the securities of a single issuer, the Adviser’s personnel generally will not be required to preclear any securities transactions; provided that those securities transactions are not in the securities held by Clients.

Dr. Holman, entities controlled by Dr. Holman and certain persons related to the Adviser (collectively, “Related Persons”) may hold existing positions in securities that are purchased by Clients. To the extent a

Related Person and the Client owns the same security, the Related Persons will generally only (a) sell positions in that security at the same time as the Client is selling, and such selling will occur in the same relative proportions as the applicable Client and (b) buy positions in that security at the same time as the Client is buying, and such buying will occur in the same relative proportions as the applicable Client.

The Adviser will provide a copy of the Code to a client or prospective client upon request.

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## Item 12. Brokerage Practices

The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include the ability of the broker to provide liquidity, financial stability of the broker, the actual executed price of the security and the broker's commission rates, research (including economic forecasts, investment strategy advice, fundamental and technical advice on individual securities, valuation advice and market analysis), custodial and other services provided by such brokers and/or dealers that are expected to enhance the Adviser's general portfolio management capabilities, the size and type of the transaction, the difficulty of execution and the ability to handle difficult trades, the operational facilities of the brokers and/or dealers involved (including back office efficiency), ability to maintain confidentiality; and the ability to handle a block order for securities and distribution capabilities. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. The Adviser evaluates the appropriateness of brokerage commissions on an ongoing basis.

The Adviser receives research or other products or services other than execution from a broker-dealer and/or a third party in connection with client securities transactions. This is known as a "soft dollar" relationship. The use of commissions arising from a Client's investment transactions for services other than research and brokerage will be limited to services that would otherwise be a Client expense.

Research services within Section 28(e) of the Securities Exchange Act of 1934 (the "Exchange Act") may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) of the Exchange Act may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

As required by Section 28(e) of the Exchange Act, the Adviser reviews and evaluates its soft dollar practices in order to determine, in good faith, whether, with respect to any research or other products or services received from a broker-dealer, that the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or the Adviser's overall responsibilities to the accounts or portfolios over which the Adviser exercises investment discretion.

As a result of client brokerage commissions, the Adviser and/or its related persons acquire research and brokerage related services. Such services may include, among other things, the provision of information on economic trends or conditions, political developments, industries, groups of securities, individual countries, and individual companies, as well as post-trade brokerage services or communication services related to the execution, clearing, and settlement of transactions.

The use of Client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products



and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services.

The Adviser has entered into “client commission arrangements” pursuant to which the Adviser may execute transactions through a broker-dealer and request that the broker-dealer allocate a portion of the commissions or commission credits to another firm that provides research and other products to the Adviser. The Clients may also pay for research services directly, rather than through commissions arising from the Clients’ investment transactions.

In some instances, the Adviser obtains a product or service that is used, in part, by the Adviser for Section 28(e) eligible purposes and, in part, for other purposes. In such instances, the Adviser will make a good faith effort to determine the relative proportion of the product or service used to assist the Adviser in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). Such determination will be made based on an evaluation of the research and non-research uses of the product. The proportion of the product or service attributable to assisting the Adviser in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by the Adviser from its own resources. The determination of the appropriate allocation of “mixed use” products and services creates a potential conflict of interest between the Adviser and Clients.

From time to time the Adviser may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to a Client or recommend the Adviser’s Client as an investment to potential investors. The Adviser may place client portfolio transactions with firms which have made such recommendations or provided capital introduction opportunities, if the Adviser determines that it is otherwise consistent with seeking best execution. In no event will the Adviser select a broker-dealer as a means of remuneration for recommending the Adviser or any other product managed by the Adviser (or an affiliate) or affording the Adviser with the opportunity to participate in capital introduction programs.

The Adviser does not currently participate in directed brokerage.

**Frequency and Nature of Review**

The Adviser's investment professionals review Client trading data on a continuous basis to determine whether securities positions should be maintained in light of current market conditions. Certain aspects of this process include, among other things, regular investment staff meetings and discussions regarding the merits of a particular investment idea and how it fits into a Client's portfolio. The Adviser will use independent third parties to conduct financial audits of the Clients. The Chief Compliance Officer reviews certain other aspects of regulatory compliance. The timing of such reviews is dependent upon the purpose of the review and other factors.

**Regular Reports**

The Adviser provides investors with annual audited financial statements and written reports on a periodic basis that include, among other things, the net asset value or balance of the investor's account. Such written reports are provided pursuant to the terms of the Governing Document.

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

As stated in Item 12, the Adviser may enter into capital introduction agreements with certain financial institutions under which the financial institution does not receive compensation for this service. Additionally, the Adviser does not currently select or recommend broker-dealers based on whether the Adviser or its related persons receive client referrals.

The Adviser does not currently have any solicitation arrangements for referring investors; however, in the future, the Adviser may engage solicitors to refer prospective investors to the Adviser. The compensation we pay to solicitors may be based on the fees we receive from the prospective investors referred, and in such cases, we will require that the solicitor disclose this practice in writing to the prospective investor and provide a copy of this brochure.

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**Item 15. Custody**

Client assets are held in custody by unaffiliated broker-dealers or banks; however, an affiliate of the Adviser has access to client accounts since it serves as the general partner of certain Clients (the “General Partner”). Therefore, the General Partner is deemed to have custody of client assets and intends to comply with Rule 206(4)-2 under the Advisers Act, by meeting the conditions of the pooled vehicle annual audit provision. The books and records of the Clients will be audited in accordance with U.S. generally accepted accounting principles by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. Investors in Clients will be furnished annually with audited year-end financial statements within 120 days of the end of the Client's fiscal year.

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## Item 16. Investment Discretion

The Adviser provides investment advisory services on a discretionary basis to Clients. Prior to assuming full discretion in managing a Client's assets, the Adviser enters into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

The Adviser has the authority to determine (i) the securities to be purchased and sold for the Client (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines), and (ii) the amount of securities to be purchased or sold for the Client. Because of the differences in Client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among Clients in invested positions and securities held. The Adviser may consider the following factors, among others, in allocating securities among clients: (i) a Client's investment objectives and strategies; (ii) risk profiles; (iii) tax status and restrictions placed on a Client's portfolio by the Client or by applicable law; (iv) size of the Client account; (v) nature and liquidity of the security to be allocated; (vi) size of available position; (vii) current market conditions; and (viii) account liquidity, account requirements for liquidity and timing of cash flows. Although it is the Adviser's policy to allocate investment opportunities to eligible Client accounts on a pro rata basis (based on the value of the assets of each participating account relative to value of the assets of all participating accounts), these factors may lead the Adviser to allocate securities to Client accounts in varying amounts. Even Client accounts that are typically managed on a pari passu basis may from time to time receive differing allocations of securities based on total assets of each account eligible to invest in the particular investment type (e.g., equities) divided by the total assets of all accounts eligible to invest in the particular investment.

Allocations will be made among Client accounts eligible to participate in initial public offerings ("IPOs") and secondary offerings on a pro rata basis, except when the Adviser determines in its discretion that a pro rata allocation is not appropriate, which may include a Client's investment guidelines explicitly prohibiting participation in IPOs or secondary offerings and a Client's status as a "restricted person" under applicable regulations.

If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that a trade error occurs, the Adviser's procedure is to ensure that Clients are treated fairly. The Adviser has discretion to resolve a particular error in an appropriate manner that is consistent with the above stated policy. Notwithstanding the foregoing, any financial gains or losses resulting from trade errors are generally borne by the client and underlying investors (as more fully described in the Governing Document).

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**Item 17. Voting Client Securities**

The Advisers Act generally requires investment advisers to vote all proxies within their authority. To the extent the Adviser has been delegated proxy voting authority on behalf of its clients, the Adviser will vote those proxies in the best interest of its clients and in accordance with the Adviser's policies and procedures. In fulfilling its obligations to advisory clients, the Adviser endeavors to act in a manner that will enhance the economic value of the underlying securities held by each advisory client. The Adviser does not vote proxies where the cost of doing so, in the opinion of the Adviser, would exceed the expected benefits to the client.

Upon request, the Adviser will provide a Client with a copy of its proxy voting policies and procedures and information about how the Client's proxies were voted.

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**Item 18. Financial Information**

This item is not applicable.