

# **Minerva Advisors, LLC**

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This brochure provides information about the qualifications and business practices of Minerva Advisors, LLC (the “Advisor”). If you have any questions about the contents of this brochure, please contact the Advisor at 484-434-2258. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Investment adviser registration does not imply a certain level of skill or training.

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

## **Item 2**

### **Material Changes**

There are no material changes to report. The Advisor is not currently accepting, nor has it accepted in the past 20 years, any new separate account clients.

## **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 buy interests) in the Minerva Group, L.P. (the “Fund”), a Delaware limited partnership advised by the Advisor;*
- *a complete discussion of the features, risks or conflicts associated with the Fund advised by the Advisor.*

*Although this brochure describes the investment advisory services of the Advisor, persons who receive this brochure (whether or not from the Advisor) should be aware that it is designed solely to provide information about the Advisor as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this brochure may differ from information provided in the Fund’s private placement memorandum (the “PPM”) and other relevant offering materials.*

*More complete information about the Fund advised by the Advisor is included in the Fund’s PPM and other relevant offering materials, which may be provided to current and eligible prospective investors only by the Advisor or its authorized agents. If there is any conflict between information conveyed in this disclosure document and that conveyed in any offering materials, the information contained in the relevant offering materials shall be deemed to govern and control.*

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## **Item 4**

### **Advisory Business**

#### **The Advisor**

The Advisor provides investment advisory services to clients through separately managed accounts (the “separate accounts”) and to the Fund. The Advisor was formed on November 7, 2002 to provide investment advisory services to the Fund. The Fund was formed to pursue certain investment strategies including, but not limited to, investment in equity securities of publicly traded U.S. micro-cap value companies and small-cap value companies. The Advisor and the Fund began operations on February 1, 2003.

David P. Cohen is the manager and sole member of the Advisor and owns 100% of the membership interests in the Advisor. Mr. Cohen has over 30 years of investment management experience, primarily in investments in small and micro-cap equity securities. An affiliated entity serves as general partner of the Fund (the “General Partner”).

In November 1988, Mr. Cohen founded Athena Capital Management, Inc. (“Athena”). Athena provided investment and advisory services to high net worth individuals. Mr. Cohen served as President of Athena and held 81.7% of the common stock of Athena. On December 31, 2011, Athena merged with and into the Advisor. Following the merger, client accounts formerly managed by Athena are now managed by the Advisor.

The principal executive offices of the Advisor are located at 50 Monument Road, Suite 201, Bala Cynwyd, PA 19004.

As of December 31, 2018, the Advisor has \$269,417,590 of assets under management on a discretionary basis and \$43,782,384 of assets under management on a non-discretionary basis.

#### **Advisory Services**

##### *Separate Accounts*

The Advisor primarily provides discretionary investment advisory services through separately managed account arrangements pursuant to advisory contracts, which incorporate investment guidelines and restrictions. At least one client has engaged the Advisor on a non-discretionary basis. Advisory contracts typically are negotiated to meet the specific needs of a particular client.

Generally the Advisor’s investment strategy for the separate accounts is focused on small cap value investing in equity securities; however, this strategy may be tailored for different client needs, objectives and risk tolerances, which may change from time to time, and also may vary depending on market conditions. Currently, most of the Advisor’s separate account clients are pursuing a long-term growth strategy and accordingly, the Advisor’s management style is similar for most separate accounts. A separate account client may impose reasonable restrictions in writing on the Advisor’s ability to invest in certain securities. These investment restrictions may prohibit the purchase by the Advisor, for the benefit of the separate account, of individual securities or impose

sector restrictions on the Advisor for the benefit of the separate account. The Advisor will review any investment restrictions to determine whether they are reasonable. In the case of restrictions involving categories of securities, the Advisor also will determine the specific securities that will be included in the restricted category. Currently, the Advisor is not accepting any new separate account clients. One separate account client has taken certain administrative responsibilities in-house, but the Advisor continues to provide portfolio advice.

### *The Fund*

The Advisor provides investment management services to the Fund pursuant to an investment management agreement (the “Investment Management Agreement”) between the Advisor and the General Partner and the Fund, dated December 31, 2002. Under the Investment Management Agreement, the General Partner delegates to the Advisor all of its authority under the Fund’s limited partnership agreement (the “Partnership Agreement”) to manage and operate the Fund and formulate investment policy. The Investment Management Agreement requires the Advisor to direct the investments of the Fund, subject to and in accordance with the Fund’s investment objectives and limitations provided in the Partnership Agreement and the PPM.

Interests in the Fund are offered exclusively to individuals who qualify as “accredited investors” under Regulation D promulgated under the Securities Act of 1933, as amended (the “1933 Act”), and “qualified clients” as such term is defined under the Advisers Act. The Fund is not required to register with the SEC as an investment company in accordance with the exemption set forth in Section 3(c)(1) of the Investment Company Act of 1940, as amended.

Investment strategies and guidelines are not tailored to the individualized needs of any particular investor in the Fund. Other than the restrictions set out in the Investment Management Agreement, investors in the Fund are not permitted to impose restrictions on the Advisor’s ability to invest in certain securities or types of securities.

### *Market Focus of the Fund*

The primary investment strategy of the Fund is making investments in equity securities of publicly traded U.S. micro-cap value companies and small cap value companies. The Fund also may purchase debt securities, debt obligations and derivative securities of such companies.

While the Advisor will seek to manage a diversified portfolio for the Fund, the Fund has no specific policy or guideline regarding diversification. As a result, the Fund’s investments may be concentrated in a few industries, companies or geographic regions.

Investments in the separate accounts and the Fund involve significant risks and should be regarded as long-term in nature, forming only one portion of an investor’s diversified investment portfolio. For further information on the Advisor’s investment methods, please refer to *Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss*.

## Item 5

### Fees and Compensation

#### Separate Accounts

Compensation for investment advisory services provided to the separate accounts is generally negotiated in each instance and is particular to each advisory contract. Typically, each separate account client pays a fee pursuant to the following fee schedule, which is based on the market value of the assets under management in each separate account, including cash or cash equivalents:

<i>Assets under Management with the Advisor</i>	<i>Annual Fee</i>
<\$1,000,000	1% of market value of assets under management with the Advisor.
≥\$1,000,000 and <\$5,000,000	0.80% of market value of assets under management with the Advisor.
≥\$5,000,000	All fees are negotiable.

The Advisor may negotiate fees depending on account size and service requirements. Differences in advisory fees paid by certain clients may reflect start dates or the entirety of the client's relationship with the Advisor. There is no minimum annual fee.

The annual fee for each separate account is calculated quarterly based on the market value of the assets under management as of the last business day of the quarter. Separate account clients are invoiced quarterly in arrears. In one case, the fee is calculated annually at the client's request. Not less than 48 hours following the distribution of the invoice to the separate account clients, the Advisor submits a request to the custodian of the separate account for payment of the management fee, which payment is authorized under the investment management agreement between the Advisor and the separate accountholder.

#### The Fund

The Fund pays to the Advisor a quarterly management fee in arrears, equal to the product of 0.125% and the capital account balances of the limited partners in the Fund (calculated prior to any performance fee allocations and withdrawals effected at such time) as of the last business day of each quarter. Management fees payable by any limited partner for any incomplete or partial fiscal quarter will be prorated over the applicable fiscal quarter.

The General Partner may opt to waive or reduce the management fee with respect to any one or more limited partners. The Advisor will not assess management fees on the General Partner's portion of the Fund's committed capital.

In addition to the payment of ongoing management fees, the Fund (and, indirectly, the limited partners) is also required to pay to the General Partner, an affiliate of the Advisor, performance fees based upon the Fund's return on invested capital. For additional details regarding such performance-based compensation, please refer to *Item 6 - Performance-Based Fees*.

Management fees, performance fees and/or any other compensation payable to the Advisor or the General Partner by the Fund were negotiated with the Fund and the limited partners of the Fund and depend on, among other factors, the amount of capital committed to the Fund. Investors should carefully review the Partnership Agreement for complete information about fees and compensation. Similar advisory services may be available from other investment advisers for comparable or lower fees.

### **Impact of Valuation on Fees**

While the separate accounts and the Fund primarily will invest in securities of public companies, they may, from time to time, hold illiquid securities. Illiquid securities include those securities that are not traded actively, have no public market value or are otherwise restricted from trading due to contractual or legal restrictions. For example, a client of the Advisor may purchase securities of a public company but due to a reorganization, the client may end up holding securities of a private company.

Generally, bids are available from reputable dealers or purchasers for the illiquid securities purchased by the Advisor for the benefit of a client. The Advisor values listed securities for its separate account clients at the last sale price of the security. If bids are available, non-listed securities are valued at the closing bid price of such security. If an illiquid security is non-transferrable, the value of the securities in the separate account may reflect a liquidity discount.

The Advisor values illiquid securities for the Fund in accordance with the Fund's valuation policy and may determine in certain circumstances, after consultation with the Fund's auditors, that it is appropriate to discount the value of an illiquid security. Pursuant to the Fund's valuation policy, the Fund's securities are valued at the market price as reported by the Fund's prime broker, subject to review by the Advisor.

If the Fund and a separate account hold the same illiquid security and the Advisor determines that it is appropriate for the Fund to discount such security, the value of the security in the Fund's portfolio may be lower than the value of the same security in a separate account holder's portfolio. This may result in the separate account paying greater fees than it otherwise would if the same valuation was used for all of the Advisor's clients. The Advisor has policies and procedures in place that the Advisor believes will mitigate this potential conflict.

### **Other Fees and Expenses**

Clients of the Advisor may incur certain other fees, expenses, and costs (aside from the management fees and performance-based compensation described above) that are incidental to or related to the maintenance of the client's account or the buying, selling, and holding of investments.



The Fund is responsible for paying all operating expenses of the Fund not borne by the Advisor. Fund expenses include costs of borrowing money, legal, audit and accounting fees, insurance premiums, regulatory filing fees, custodial and other fees, commissions, and expenses directly related to the purchase and sale of securities by or on behalf of the Fund, and such other expenses as are to be borne by the Fund in accordance with the Partnership Agreement.

The General Partner of the Fund will advance all organization expenses and expenses incurred in the offering of interests (excluding commissions), including legal fees and related accounting fees, printing costs and other out-of-pocket expenses. Organizational expenses of the Fund up to a defined dollar threshold will be reimbursed by the Fund to the General Partner, while expenses above this threshold will be borne by the Advisor.

Fund investors should review the Partnership Agreement for complete disclosures related to fees and expenses.

For further discussion of brokerage fees, commissions, and other related transaction costs and expenses, please refer to *Item 12 - Brokerage Practices*.

## **Item 6**

### **Performance-Based Fees and Side-By-Side Management**

#### **Performance-Based Fees**

Separate accounts do not pay a performance-based fee.

As described above, the General Partner of the Fund receives a percentage of any net profit earned upon the limited partners' capital accounts achieving an annual rate of return equal to or in excess of a specified threshold. Any performance-based compensation will be paid in accordance with Section 205(3) of the Advisers Act and the rules promulgated thereunder, which specify certain qualification thresholds for clients of the Advisor being assessed such a fee. Any share of profits paid to the General Partner is separate and distinct from the management fees charged by the Advisor for advisory services to the Fund. The General Partner may opt to reduce or waive any performance fees with respect to any limited partner.

#### **Mitigating Conflicts of Interest Associated with Performance Fees**

The fact that the Advisor's affiliate is, in part, compensated based on the performance of the Fund may create an incentive for the Advisor to make more speculative investments for the Fund than it would otherwise make in the absence of such performance-based compensation. However, conflicts of interest associated with such performance fees are mitigated by the Partnership Agreement's requirements that (i) net losses be first allocated to the General Partner if the allocation of the net loss to a limited partner would result in a deficit balance in that limited partner's capital account for the relevant accounting period; and (ii) the General Partner has a significant capital commitment to the Fund.

Additionally, the Advisor currently manages accounts with an asset-based fee and the Fund, which pays a combination of asset and performance fees. As a result, the Advisor may face a potential conflict of interest, in that there could be an incentive to favor an account for which the Advisor receives a performance-based fee. The Advisor has written allocation policies and procedures in place that the Advisor believes will mitigate this potential conflict by ensuring that investment opportunities are allocated over time in a fair and equitable manner.

In instances where the Advisor identifies an investment opportunity that meets the criteria of more than one client with available capital, allocation decisions are made after reviewing the investment opportunity. See *Item 12 - Brokerage Practices*.

## **Item 7**

### **Types of Clients**

The Advisor's separate account clients consist of high net worth individuals and family partnerships. The Advisor also provides discretionary investment advisory services to the Fund, which is a pooled investment vehicle.

The minimum account size for a separate account generally is \$1 million. With respect to the Fund, the minimum commitment typically is \$250,000, subject to waiver in the sole discretion of the General Partner.

## **Item 8**

### **Methods of Analysis, Investment Strategies and Risk of Loss**

#### **Methods of Analysis and Investment Strategies**

As discussed in *Item 4 – Advisory Business*, the Advisor's primary investment strategy is making investments in equity securities of publicly traded U.S. micro-cap value companies and smallcap value companies.

The Advisor evaluates investment opportunities for the separate accounts and the Fund using a fundamental research process that includes analyzing a company's financial statements and SEC filings as well as potentially engaging in discussions with management regarding the company's business model and capital structure in addition to such other matters as the Advisor may deem appropriate. The Advisor may consider analyst reports on a company but primarily relies on its own research and due diligence. If a report is prepared by an analyst with investment banking or underwriting affiliates, the Advisor generally discounts such reports due to the perceived or actual conflicts of interest of the analyst.

In evaluating a company, the Advisor assesses working capital trends, capital expenditure programs and operating margin trends. The Advisor believes that this enhances its evaluation of a company's financial statements, cash flows and earnings and affords it the opportunity to seek investments in companies that trade at low multiples to earnings, book value and cash flow. The Advisor focuses on companies with low levels of debt and stable businesses, but also may seek investments in companies that are leveraged if they have a valuation that is fair in light of the leverage or if the companies are engaged in maximizing shareholder value.

Once a security is acquired for a client, the Advisor will continue to monitor the company to ensure that shareholder rights are protected and that shareholder value is maximized.

The Advisor may utilize a number of investment strategies in pursuing the Fund's investment objective. The primary strategies are set forth below; however, the Advisor may use other strategies as market conditions dictate:

- ◆ **Long Strategy** - The purchase of securities, generally equities or fixed income instruments, believed to be undervalued relative to a company's underlying assets and/or ability to generate earnings and free cash flow. This process will entail intensive review of a company's financial statements and conversations with corporate management. While it is expected that most of the Fund's efforts will be focused on small and microcap public companies, the Advisor may invest in larger domestic and foreign companies if market conditions present attractive opportunities.
- ◆ **Exploitation of Market Dislocations** - Dislocations occur from time to time due to significant government actions, major world events, global panic or other unusual and broad-reaching situations. These dislocations can create opportunities to purchase and hedge securities at very attractive prices.
- ◆ **Event Driven (Special Situations)** - Event driven investment strategies involve the trading of securities of restructured, distressed, spun-off or post-bankruptcy companies. This strategy focuses on investing in securities of companies that are undergoing, are considered likely to undergo, or have undergone reorganization under the federal bankruptcy laws, state receivership laws or similar laws or, in other countries, other extraordinary transactions such as debt restructurings, spin-offs, reorganizations and liquidations outside of bankruptcy.
- ◆ **Long-Short Strategy (Long-Short Security Selection)** - This strategy involves purchasing equities or fixed income securities believed to be undervalued while selling short a similar value of equities or fixed income securities, respectively, believed to be overvalued.
- ◆ **Thrift Conversions** - The purchase of stock being issued by savings institutions which have previously been owned by depositors. Such stock may be purchased either in the conversion itself or in the aftermarket immediately following such conversion.
- ◆ **Merger Arbitrage** - Merger arbitrage typically involves the purchase of a target company's securities and the possible short sale of the acquiring company's securities.
- ◆ **Capital Structure Arbitrage** - This strategy exploits the mispricing of one class of an issuer's securities relative to another class of securities of the same issuer.

The Long, Event Driven and Exploitation of Market Dislocations strategies described above also are core strategies for the separate accounts; however, the Advisor may use other strategies as market conditions dictate.

The Advisor's primary investment strategy does not involve frequent trading of securities.

### **Material Investment Risks**

The Advisor's investment activities involve a high degree of risk with no certainty of any investment returns. There can be no assurance that the separate accounts or the Fund will meet their investment objectives or successfully execute their investment programs.

Set forth below is a summary of material risks associated with the Advisor's investments and investment strategies; however, it is not a complete list of all investment and operating risks associated with such investments. Actual or prospective clients or investors should review all risks associated with a potential investment and be prepared to bear any loss. If considering an investment in a separate account or the Fund, an investor should review the detailed discussion of risks set forth in any disclosure document provided by the Advisor.

*Inadequate Return* – There can be no assurance that the return on a separate account's or the Fund's investments will be positive or that it will be commensurate with the risk of the investment therein. Investors should not commit money to a separate account or the Fund unless they have the resources to sustain the loss of their entire investment.

*Lack of Diversification* – Neither the investment management agreements relating to the separate accounts nor the Partnership Agreement requires that investments be diversified. Therefore, if the Advisor makes investments that are concentrated in a limited number of types of securities, industries or strategies, the separate account or the Fund, as the case may be, could be exposed to losses disproportionate to market declines in general if there are disproportionately greater adverse price movements in those securities.

*Volatility of Financial Markets; Risks of Certain Investment Strategies* – Financial markets have been, and may continue to be, subject to high levels of volatility. Market volatility could disrupt the investment strategy of a separate account or the Fund, decrease the value of the separate account's or the Fund's portfolio and adversely impact its profitability. If the Advisor's evaluation of an investment opportunity proves incorrect, a separate account or the Fund could experience losses as a result of a decline in the market value of securities in which the separate account or the Fund holds a long position, or an increase in the value of securities in which the separate account or the Fund holds a short position. The risk management techniques that may be utilized by the Advisor will not provide any assurance that the separate account or the Fund will not be exposed to a risk of significant investment losses. The Advisor's investment programs may utilize investment techniques such as margin transactions, short sales, and options on securities which practices can, in certain circumstances, increase the adverse impact to which the separate account or the Fund may be subject. The timing of such adverse impacts cannot be predicted and may

result in substantial volatility in the performance of the separate account or the Fund, as the case may be.

*Short Sales* – The Advisor will engage in short selling on behalf of a separate account only after consultation with the client. The Fund may engage in short selling. A short sale involves the sale of a security which may or may not be owned and borrowing the same security for delivery to a purchaser, with an obligation to replace the borrowed security at a later date. To make delivery to the buyer in such a sale, the seller must borrow the security, and is obligated to return the security to the lender, which is accomplished by a later purchase of the security by the short seller. Short selling allows the Advisor’s client to profit from declines in market prices to the extent such declines exceed the transaction costs of borrowing the securities. A short sale creates the risk of an unlimited loss, as the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position will be available for purchase. In addition, the client could be forced to prematurely close out a short sale as a result of an increase in margin requirements, coupled with an inability to provide the required additional margin on short notice. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

*Small Capitalization Companies* – The separate accounts and the Fund will invest a substantial portion of their assets in the stocks of companies with small market capitalizations. While such companies may have significant potential for appreciation, these stocks generally involve significantly greater risks than stocks of larger, better-known companies. For example, smallcapitalization companies may lack management experience, financial resources, product diversification and competitive strengths when compared to larger companies. In addition, due to thin trading in some small-capitalization stocks, an investment in those stocks may be less liquid and may be subject to wider price fluctuations.

*Micro-Cap Companies* –The separate accounts and the Fund will invest a substantial portion of their assets in the stocks of micro-cap companies, defined by the Advisor as those companies with a market capitalization of less than \$100 million. Micro-cap companies may be more sensitive to, and their share prices may be more affected by, the risks for small-capitalization companies mentioned above. In particular, due to the limited trading market for micro-cap stocks, such stocks may be more illiquid than the stocks of small- to large-cap companies. The limited trading market of micro-cap stocks also makes them more vulnerable to wide price fluctuations. In addition, due to the limited amount of working capital and financial resources available to micro-cap companies, such companies may not have diversified product lines and, therefore, may be more sensitive to market cycles than larger companies with greater financial resources. Furthermore, the limited financial resources available to micro-cap companies may limit their ability to recruit and retain experienced personnel.

*Risks of Value Stocks* – The separate accounts and the Fund will invest in “value stocks.” These are stocks which appear to the Advisor to be undervalued. Value stocks can remain undervalued for years and there is a risk that a value stock may never reach what the Advisor believes is its full value. Furthermore, a value stock may decline in value and price. The acquisition of a “value

stock” which does not reach its full value or declines in value may have an adverse effect on a separate account’s or the Fund’s overall performance.

*Trading Non-U.S. Securities may involve Additional Risks* – Non-U.S. securities historically have been volatile and involve greater risks than comparable U.S. investments, because of, among other things, instability of some foreign governments, the possibility of expropriation, limitations on the use or removal of funds or other assets, changes in governmental administration or economic or monetary policy (in the United States or abroad) or changed circumstances in dealings between nations. The application of non-U.S. tax laws (e.g., the imposition of withholding taxes on dividend or interest payments) or confiscatory taxation also affects investment in non-U.S. securities. Higher expenses may also result from investment in non-U.S. securities because of the costs incurred in connection with conversions between various currencies and brokerage commissions that may be higher than United States brokerage commissions. Non-U.S. securities markets also may be less liquid, more volatile and less subject to governmental supervision than in the United States. Investment in foreign countries could be affected by other factors not present in the United States, including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations.

*Trading on Non-U.S. Exchanges Presents Certain Risks* – The separate accounts and the Fund may trade on exchanges located outside the U.S., where the protections provided by U.S. regulations do not apply. In the case of trading on non-U.S. exchanges, the separate accounts and the Fund will be subject to the risk of the inability of or refusal by its counterparties to perform with respect to their contracts with the separate accounts or the Fund, as the case may be. The separate accounts and the Fund also may not have the same access to certain trades as do various other participants in non-U.S. markets. As the separate accounts or the Fund determines its net assets in U.S. dollars, with respect to trading on non-U.S. markets, it will be subject to the risk of fluctuation in the exchange rate between the local currency and U.S. dollars and to the possibility of exchange controls.

*Hedging* – The separate accounts and the Fund may, in the sole discretion of the Advisor, utilize a variety of financial instruments, such as derivatives, options, interest rate swaps, caps and floors, futures and forward contracts, to seek a hedge against declines in the values of their portfolio positions as a result in changes in currency exchange rates, certain changes in equity markets and market interest rates and other events. Hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the value of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus offsetting the decline in the portfolio positions’ value. Such hedging transactions also limit the opportunity for gain if the value of the hedge portfolio positions should increase. It may not be possible for a separate account or the Fund to hedge against a change or event at a price sufficient to protect its assets from the decline in value of the portfolio positions anticipated as a result of such change. In addition, it may not be possible to hedge against certain changes or events at all. The Advisor’s success with hedging will depend on its ability to correctly predict movements in the direction of currency or interest rates, the equity markets or sectors thereof or other events being hedged against. Unanticipated changes in currency or interest rates, or increases or smaller than expected decreases in equity markets or sectors being hedged or the

non-occurrence of other events being hedged against may result in poorer overall performance for a separate account or the Fund than if the Advisor had not engaged in any such hedging transaction.

*Valuation of Illiquid Securities* – While the separate accounts and the Fund will primarily invest in securities of public companies, they may, from time to time, be in a position of holding illiquid securities. Illiquid securities include those securities that are not traded actively, have no public market value or are otherwise restricted from trading due to contractual or legal restrictions. For example, a client of the Advisor may purchase securities of a public company but due to a re-organization, the client may end up holding securities of a private company.

Generally, bids are available from reputable dealers or purchasers for an illiquid security. If there is no available bid price for an illiquid security, the Advisor may value it at its fair value based on all relevant factors, including, but not limited to: current financial position and current and historical operating results of the company; sales prices of recent public or private transactions in the same or similar securities; general level of interest rates; recent trading volume of the security, restrictions on transfer; significant recent events affecting the company; the price paid by the Fund to acquire the security; and all other factors affecting the value of the security that the Advisor may deem relevant.

Given the inherent uncertainties of determining fair market value, there can be no assurance that the value placed on a security by the Advisor will be appropriate in terms of how the security may be ultimately valued in the public market.

For additional information on the Advisor's valuation policy, see *Item 5 - Fees and Compensation*.

*Restricted Persons* – The Fund may invest in Initial Public Offerings (“IPOs” or “New Issues”) as defined by the Financial Industry Regulatory Authority, Inc. (“FINRA”). FINRA has prescribed rules which prohibit certain persons from investing in New Issues. Fund investors who are subject to such FINRA rules are not eligible to hold any interest in a New Issue which the Fund may directly or indirectly acquire. Any such “restricted person” in the Fund will not be allocated any profits or losses which are attributable to a New Issue. As a result, the performance of the capital account of a Fund investor who is eligible to participate in New Issues will differ from that of a Fund investor who is restricted from investing in New Issues as prescribed by FINRA rules. Additionally, a separate account investor may be similarly restricted from investing in New Issues under FINRA's rules.

## **Liquidity Risks**

*Liquidity Risks* – Although most of the securities that the separate accounts or the Fund acquires will be traded on public exchanges, each exchange typically has the right to suspend or limit trading in all securities which it lists. Such a suspension could render it difficult or impossible for the separate account or the Fund, as the case may be, to liquidate positions and would thereby expose the separate account or the Fund to losses. The focus of the Advisor's clients on investments in smaller capitalized companies may accentuate this risk, because such companies may be more likely to be unable to meet the exchange's thresholds for listing. As a result of a portfolio

company's "de-listing" from an exchange, or if the securities held by the separate accounts or the Fund are thinly traded or not traded at all, it may be difficult for the separate account or the Fund to dispose of a position at the time or price desired. Moreover, in periods of extreme market volatility, the bid/ask spreads for small-cap and micro-cap securities may widen, making it difficult or undesirable to sell the security.

Furthermore, if limited partners elected to withdraw a substantial amount from their capital accounts at the end of any given fiscal year, the Fund might be forced to close out existing positions at a time when it is disadvantageous to do so. There can be no assurance that the trading markets will remain liquid enough for management to close out existing positions when there is a need to do so.

*Withdrawal Restrictions* – Withdrawal from the Fund by a limited partner is restricted by the Partnership Agreement. Therefore, a limited partner must be prepared to hold its interests in the Fund and bear the risk of its investment until the end of a limited partner's second anniversary in the Fund. Limited partners who effect withdrawals from their capital accounts or who withdraw entirely from the Fund are subject to fees and expenses (including any withdrawal fee) that the Fund may incur in liquidating positions to satisfy such withdrawal request. There can be no guarantee that the Fund will be able to liquidate positions in the portfolio in a timely or costeffective manner to satisfy a withdrawal request.

*Contingency Reserves* – Under certain circumstances, the General Partner may find it necessary upon the withdrawal of a limited partner to establish one or more reserves for contingent liabilities by withholding a certain portion of the limited partner's capital account pending resolution of such contingency or contingencies. As such, limited partners may be unable to liquidate their entire investment in the Fund until such time as the General Partner has determined that the need for such reserve has ceased. For example, such a reserve might be established if the Fund were subject to an audit by the Internal Revenue Service or involved in litigation.

### **Management Risks**

*Reliance on the Advisor and Mr. Cohen* - All management decisions will be made by Mr. Cohen, acting for the Advisor under the delegation of authority by the General Partner. Accordingly, no investor should invest in the Fund unless such investor is willing to entrust all aspects of the management of the Fund to the Advisor and Mr. Cohen, who will have complete discretion in the types of investment strategies the Fund will focus on and the allocation of assets among different investment opportunities. The Fund and the separate accounts are dependent upon the skill, judgment and expertise of Mr. Cohen.

*Other Activities of General Partner and Affiliates* – The success of the Fund will be largely dependent upon the efforts of Mr. Cohen. Although Mr. Cohen will devote a significant portion of his time to the business of the Fund, he may engage in other business activities, including without limitation, providing investment advisory services to the separate accounts. The inability of Mr. Cohen to remain as the principal of the General Partner and the Advisor would likely have a material adverse effect on the operations of the Fund.



*Independence of the Advisor* – The Advisor will have the right to modify the types of investment strategies utilized by the Fund without the consent of the Fund’s limited partners. If the Advisor invests in cash, money market, and/or simple fixed income instruments at inappropriate times or judges market conditions incorrectly, such investments may lower the Fund’s performance.

*Legal, Tax and Regulatory Risks* -- Legal, tax and regulatory changes could occur that may adversely affect the separate account clients, or the Fund, its portfolio companies or the limited partners.

## **Item 9**

### **Disciplinary Information**

Registered investment advisers must disclose facts about any legal or disciplinary events that would be material to a client’s or prospective client’s evaluation of the Advisor’s business or the integrity of the Advisor’s management. The Advisor has no legal or disciplinary events of any kind to report.

## **Item 10**

### **Other Financial Industry Activities and Affiliations**

Neither the Advisor nor its management persons is registered, and none has an application pending, as a securities broker-dealer, futures commission merchant, commodity pool operator, or commodity trading advisor or any associated person of the foregoing entities.

As noted earlier in *Item 4 - Advisory Business*, the Advisor, the General Partner and the Fund are all affiliates and are controlled by Mr. Cohen, the manager and sole member of the Advisor. From time to time, Mr. Cohen or another related person of the Advisor may serve on a portfolio company’s board of directors or otherwise act to influence the management of the company. A related person’s involvement with a portfolio company’s operations may introduce a conflict of interest between the fiduciary duty the related person owes as a member of a portfolio company board and the fiduciary duty he or she owes to the Advisor’s clients. Additionally, as a result of such service, the related person may become aware of material, non-public information about the portfolio company or public companies affiliated with or that otherwise do business with the portfolio company. Such knowledge of material, non-public information is likely to be attributed to the Advisor and may create a conflict of interest between the portfolio company and the Advisor and pose the risk of insider trading. Additionally, it may limit the Advisor’s ability to trade the securities of such company. These limitations may cause the Advisor to forgo purchases or sales of securities that it otherwise would make, thereby exposing the Advisor’s clients to lost opportunities.

While such risks and potential conflicts cannot be eliminated, the Advisor has implemented compliance policies and procedures designed to address and mitigate potential conflicts of interest and minimize the negative effects of such conflicts if they arise.

## **Item 11**

### **Code of Ethics**

#### **Code of Ethics and Fiduciary Duty**

The Advisor assumes a fiduciary duty to all of its clients. This duty is not altered by product offering or client type. The primary precept of the Advisor's fiduciary duty is to place client interests first and foremost and to disclose and responsibly manage all conflicts of interest. The Advisor has adopted a Code of Ethics that articulates standards of conduct expected of each employee.

The Code of Ethics contains policies and procedures relating to: (i) broad standards of employee conduct; (ii) personal securities transactions; and (iii) insider trading. Employees must agree to abide by the Code of Ethics at the time of hire and affirm this agreement in writing each year or when amended thereafter. The Advisor supplements the Code of Ethics with ongoing monitoring of employee activity through its compliance program as mandated by the Advisers Act.

#### **Standards of Conduct**

The Advisor's standards of conduct are designed to ensure that clients, employees and the Advisor itself are protected from unethical and/or unprofessional conduct. Standards of conduct include policies which:

- ◆ govern outside business activities of employees;
- ◆ monitor gifts and entertainment;
- ◆ protect confidential information, including information pertaining to clients; and
- ◆ facilitate compliance with applicable federal and state securities statutes.

#### **Personal Securities Transactions**

Employees are permitted to maintain personal securities accounts as long as personal investing practices do not conflict with the fiduciary standard of care owed to clients. The Advisor monitors and controls personal trading by employees through receipt and review of personal securities holdings and transactions reports and pre-approval of initial public offerings, private placements, and limited offerings.

#### **Insider Trading**

Employees are prohibited from illegally acting on, misusing or disclosing material non-public information, also known as "inside information". The Advisor monitors risks associated with unauthorized use or disclosure of inside information by:

- ◆ requiring internal reporting of employee service on boards of outside companies;
- ◆ monitoring personal trading of employees and certain household members;

- ◆ implementing strict privacy and confidentiality controls; and
- ◆ developing and implementing a compliance program which includes provisions to ensure compliance with applicable insider trading statutes.

### **Advisor Participation or Interest in Client Transactions**

Through the limited partnership structure, Mr. Cohen and other employees of the Advisor may have indirect beneficial interests in the securities owned by the Fund and will share in any profits and losses generated by Fund investments.

The Advisor always endeavors to act in the best interests of its clients. However, clients should be aware that the Advisor's and General Partner's receipt of compensation from the Fund creates a potential conflict of interest with respect to such transactions.

Additionally, the Advisor and its related persons may invest in the same securities that the Advisor recommends for, purchases for or sells to the Advisor's clients. The Advisor has policies and procedures designed to mitigate this potential conflict. For instance, Mr. Cohen limits individual security purchases to conversions of mutual thrifts in which he is a depositor. While he may make sales from his existing personal portfolio, they are either securities not owned by the Advisor's clients, are in quantities which he believes will not affect prices received by the Advisor's clients or will occur after the Advisor's clients' positions are liquidated.

From time to time, Mr. Cohen also may contribute securities to a charitable gift fund. This may create a conflict if the Advisor's clients experience wider price fluctuations in connection with the purchase or sale of an illiquid security following the sale of the same security by the charitable gift fund, over which Mr. Cohen has no control.

### **Other Activities of the Advisor and of Mr. Cohen**

While the Fund and the separate accounts are dependent on the services of the Advisor, Mr. Cohen, the General Partner, the Advisor, and their respective affiliates are not prohibited from participating in other business ventures which may compete with the Fund or the separate accounts, including serving as a sub-adviser for other investment accounts or investment funds. This may prevent them from devoting their full time and attention to the activities of the Fund and the separate accounts and may result in potential or actual conflicts of interest in allocating time and resources between the Fund and the separate accounts, on one hand, and such other business activities, on the other hand.

Additionally, following Athena's merger with the Advisor on December 31, 2011, the Advisor manages the separate accounts independent from and concurrently with its management of the Fund. The interests of the separate accounts and the Fund may not necessarily be aligned and the separate accounts and the Fund have no interest in each other. The time and resources spent by the Advisor in providing services, including investment advice, to the separate accounts will correspondingly reduce the Advisor's attention to the business of the Fund, and vice versa.

However, the Advisor will devote such time as it, in its discretion, deems necessary to carry out the operations of the separate accounts and the Fund effectively.

The General Partner and the Advisor may also provide management and investment advisory services to other clients, including other investment funds and separate accounts that follow investment programs similar to or different from that of the Advisor's existing clients. The Fund will have no interest in the accounts of such other clients.

The Advisor will provide its Code of Ethics to any client or prospective client upon request. To obtain this copy, please contact Shelley Verlin at 484-434-1248.

## **Item 12**

### **Brokerage Practices**

#### **Broker Selection and Best Execution**

Generally, transactions for the separate accounts and the Fund will be allocated among brokers on the basis of best execution. Brokers or dealers, as the case may be, will be selected by the Advisor on the basis of obtaining the best overall terms available, which the Advisor will evaluate based on a variety of factors, including the ability to obtain access to a security; the ability to achieve prompt and reliable executions at favorable prices; the operational efficiency with which transactions are effected; the financial strength, integrity and stability of the broker; the broker's experience in trading small- and micro-cap securities; the quality, comprehensiveness and frequency of available research and related services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying the Advisor's other selection criteria.

In the event that a broker-dealer suggests a purchase or sale of a security to the Advisor and the Advisor decides to make such a trade, the Advisor may use the broker-dealer to effect the trade, subject to satisfying the Advisor's duty of best execution.

In one case, a separate account client has taken responsibility for trade execution while still relying upon the Advisor's advice regarding when to execute such trades. While the Advisor is no longer responsible for trade execution, the Advisor will notify the client promptly after initiating similar trades for other clients. Under normal circumstances, notification will occur within 48 hours of the initiation. The client is responsible for the trade execution and the Advisor will not select the broker or assure best execution.

Although the Advisor does not use "soft dollars" to pay for research products or services, it reserves the right to do so in reliance on the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended.

Commissions paid to brokers on behalf of the Fund will be borne by the Fund's partners as an expense of the partnership.

The Advisor currently has no directed brokerage arrangements in place.

### **Conflicts of Interest - Trade Allocation and Execution**

It is the Advisor's policy to seek overall best qualitative execution in trading activities and to allocate purchases and sales of securities fairly across client accounts.

The Advisor may obtain better trade execution and negotiate more favorable brokerage commissions for discretionary clients by "aggregating" orders in the same security. When the Advisor determines that client interests are best served by aggregating client orders, the Advisor will attempt to execute transactions in this manner. Because of prevailing trading activity, it is frequently not possible to receive the same price or execution on the entire volume of securities bought or sold. When this occurs, the various prices may, in the Advisor's sole discretion, be averaged and accounts will be charged or credited with the average execution price as reported to the Advisor by the broker-dealer through whom the securities were bought or sold. In such cases, each client that participates in the aggregated transaction will share transaction costs pro-rata based upon such client's participation. The effect of aggregation may operate on some occasions to a client's advantage or disadvantage. Non-discretionary accounts will not benefit from trade aggregations.

Certain client- and market-driven factors influence the Advisor's ability to achieve strict pro rata allocations. These factors may include:

- ◆ cash availability within specific accounts;
- ◆ consideration of the minimum distribution of shares bought or sold for an account;
- ◆ portfolio sector and holding balancing; and
- ◆ the amount of stock initially bought or sold at the target price may be insufficient to achieve the minimum position objective established by the Advisor.

Therefore, in the Advisor's discretion, shares of a trade block may be allocated in a manner that diverges from the pro rata norm. This may result in some accounts not participating at all in an aggregated transaction. For these reasons, precise trade allocations for aggregated trades are generally not made prior to the Advisor's order placement with the broker. In these cases, the allocation determination shall be made and recorded by the first hour of the next trading day following the day of execution of the trade.

Generally, the separate accounts may not participate in a trade of the securities of an issuer with a market capitalization of under \$10 million. Additionally, trades for less than \$25,000 typically are not allocated amongst the Advisor's clients, but instead are allocated to a client based on the strategic fit of the trade relative to the Advisor's other clients, as determined by the Advisor.

Each allocation must be recorded in the Advisor's books and records. The Advisor will not receive any additional compensation or remuneration as a result of any allocated trade.

Conflicts may arise as to the allocation of investment opportunities among the Fund, the separate accounts and other entities which the General Partner, the Advisor and their respective affiliates manage. It is possible that conflicts may arise because the investment position of the Fund and the separate accounts may, at any time, be different from or conflict with each other or with that of other clients affiliated with the Advisor or Mr. Cohen.

Although the separate accounts and other accounts managed by the Advisor may pursue investment objectives and strategies that are similar to the Fund, the investment allocations of the Fund, the separate accounts and other client accounts may differ as a result of inflows and outflows of capital being made at different times and in different amounts, as well as because of different tax and regulatory considerations. Situations may arise in which the activities of the Advisor, on behalf of the separate accounts or other clients, may disadvantage the Fund, or vice versa, such as the inability of the market fully to absorb orders for the purchase or sale of particular securities placed by the Advisor for the Fund and for the separate accounts at prices and in quantities which could be obtained if the same were being placed only for one of the Advisor's clients.

## **Item 13**

### **Review of Accounts**

#### **Review of Fund Portfolios**

Mr. Cohen, on behalf of the Advisor, actively monitors and reviews the separate accounts' and the Fund's investment portfolio on a continuing basis. The Advisor reviews each separate account portfolio no less than monthly and more frequently as market conditions dictate. The Advisor reviews and monitors the Fund's portfolio at least daily.

Investments are reviewed in light of the client's stated investment objectives and guidelines. During the review process, the Advisor analyzes existing portfolio company positions to identify potential issues, take any necessary actions, and monitor portfolio company performance in accordance with the client's investment objectives.

#### **Reports to Clients and Investors**

For most client accounts, the Advisor furnishes written quarterly reports to the separate account holders, describing the performance of the separate account during the preceding quarter and provides a list of the investments held by the separate account during the period. These reports may be customized to meet the unique needs and objectives of any separate account client.

The Advisor does not provide reports to the Fund. Instead, the General Partner, or its affiliate, provides written quarterly reports for Fund investors to monitor their investments. Fund investors also receive quarterly capital account statements prepared by the Fund's auditor.

Additionally, the Fund's auditor prepares the Fund's annual income tax return and annual audited financial statements in accordance with U.S. generally accepted accounting principles (including a balance sheet and the related statements of income). The Fund investors receive these annual

audited financial statements within 120 days after the Fund's fiscal year end. The Fund investors also receive written information with respect to such person's interest in the profits, losses, tax credits, deductions, tax preference items and investment credits, if any, as such person shall require for federal income tax purposes.

The General Partner also provides such limited partners with computations and such other information as may be reasonably requested by the limited partners.

## **Item 14**

### **Client Referrals and Other Compensation**

The Advisor does not receive an economic benefit from anyone who is not a client for providing investment advice or other advisory services to clients.

## **Item 15**

### **Custody**

Custody occurs when the Advisor or related person directly or indirectly holds client funds or securities or has the ability to gain possession of them.

### **The Fund**

The Advisor is deemed to have custody of the assets of the Fund within the meaning of the Advisers Act due to its affiliation with the General Partner.

The Advisor maintains policies and procedures to comply with the requirements of Rule 206(4)2 under the Advisers Act. Generally, the Advisor's separate account clients engage custodians directly to maintain custody of their funds and securities. Custody of client securities and funds for the Fund is typically held with a qualified custodian, subject to an independent audit and generally will meet the exceptions to the custody rule.

### **Separate Accounts**

Separate account fee deduction arrangements are considered "constructive" custody. Separate account clients are invoiced quarterly in arrears. Not less than 48 hours following the distribution of the invoice to the separate account clients, the Advisor submits a request to the custodian of the separate account for payment of the management fee, which payment is authorized under the investment management agreement between the Advisor and the separate account holder. In one case, the Advisor submits a request directly to the client for payment of its fee.

## **Other Arrangements**

Mr. Cohen serves as the trustee of one family trust, which is not a client of the Advisor. Mr. Cohen does not direct the investments of the trust. Neither Mr. Cohen nor the Advisor anticipates entering into additional relationships of this type.

## **Item 16**

### **Investment Discretion**

As discussed in *Item 4 – Advisory Business*, the Advisor provides investment advisory services to the separate accounts and the Fund on a contractual basis. In general, the investment advisory services are provided by the Advisor through separate accounts pursuant to an investment advisory agreement that sets forth the parties' responsibilities and the Advisor's authority over the client's account. A separate account client may impose reasonable restrictions in writing on the Advisor's ability to invest in certain securities.

The Advisor provides discretionary investment advisory services to the Fund pursuant to the Investment Management Agreement. The Partnership Agreement and the Investment Management Agreement set forth the parties' responsibilities and any other investment restrictions.

In one case, the Advisor does not have trading authority for the client account and instead offers disposition advice when deemed necessary. Clients who have engaged the Advisor on a non-discretionary basis should be aware that the client is responsible for trade implementation and may not receive optimal trading prices.

## **Item 17**

### **Voting Client Securities**

The Advisor does have, and will accept, proxy voting authority on behalf of its clients, including for the separate accounts. The Advisor may vote proxies for the Fund to maximize shareholder value. In accordance with Advisers Act requirements, the Advisor has adopted written proxy policies for portfolio investments. Proxy policies seek to ensure that the Advisor votes proxies (or similar instruments) in the best interest of its clients, including when there may be material conflicts of interest in voting proxies.

The Advisor is aware that its power to vote proxies for the separate accounts may potentially pose a conflict of interest in that the course of action that the Advisor seeks to vote for in the interest of the separate accounts may run counter to the interests of the Fund, or vice versa. The Advisor has policies and procedures to address this potential conflict. The Advisor does not generally seek investor approval or direction when voting proxies.



In deciding how to vote proxies, the Advisor will consider the following (i) the degree of insider ownership of the company shares; (ii) the structure and level of compensation for corporate executives and the board, (iii) the actual and perceived conflicts of interest for the executives and the board, (iv) financial and operating performance of the company and its stock, (v) the quality, diversity or independence of the board, and (vi) other corporate governance issues.

On any issue where the separate accountholder's voting preference differs from that of the Advisor and the separate accountholder has communicated such preference to the Advisor, the Advisor will endeavor to respect the separate accountholder's preference.

In cases where the Advisor does not receive proxies from the separate accountholders, such separate accountholders will receive the proxies directly from the transfer agent/custodian and may seek Advisor's advice by telephone or e-mail. In certain instances where the Advisor is not delegated voting authority by a separate accountholder but determines that a proxy vote is significant, the Advisor may contact some or all of its separate accountholder clients.

The Advisor's proxy policies are designed to ensure that any material conflict of interest is identified for a particular proxy vote and that the vote is not improperly influenced by the conflict. If you are a client or investor and would like to obtain a copy of the Advisor's proxy voting policies or additional information about how proxies have been voted, please contact Shelley Verlin, at 484-434-1248.

## **Item 18**

### **Financial Information**

The Advisor and its affiliate entities have no financial obligation that impairs the Advisor's capacity to meet contractual and fiduciary commitments to its clients, nor have the Advisor and its affiliated entities been the subject of a bankruptcy proceeding.

# **ADV Part 2B Brochure Supplements**

## **Minerva Advisors, LLC**

50 Monument Road

Suite 201

Bala Cynwyd, PA 19004

484-434-2258

March 28, 2019

This brochure supplement provides information about certain advisory personnel of Minerva Advisors, LLC (the “Advisor”). This information supplements the Advisor’s brochure. Please contact Shelley Verlin, at 484-434-1248 if you did not receive the brochure or if you have any questions about the contents of this supplement.

### **David P. Cohen**

Sole Member

Minerva Advisors, LLC

50 Monument Road

Suite 201

Bala Cynwyd, PA 19004 484-434-  
2258 david@minerva-adv.com

*This brochure supplement provides information about David P. Cohen and supplements the Minerva Advisors, LLC brochure. You should have received a copy of that brochure. Please contact Shelley Verlin at 484-434-1248 if you did not receive the brochure or if you have any questions about the contents of this supplement. Additional information about David P. Cohen is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## **Educational Background and Professional Experience**

- ◆ Year of Birth - 1962
- ◆ Educational Experience - Haverford College - B.A. (1984)
  - ◆ Professional Experience - Mr. Cohen is the managing and sole member of Minerva. Between 1988 and 2011, Mr. Cohen was the Founder and President of Athena Capital Management, Inc. ("Athena") prior to Athena's merger with and into Minerva on December 31, 2011.

At Minerva, Mr. Cohen is responsible for portfolio management and investment research and specializes in investments in small-cap and micro-cap U.S. and foreign companies that are publicly traded. In addition, Mr. Cohen specializes in investments in the industrial and financial sectors.

Prior to forming Athena, Mr. Cohen was a research analyst and portfolio manager at a Philadelphia-based investment partnership from 1984 to 1988. In 2011, Mr. Cohen became a member of the board of directors of CampusWorks, Inc., a privately held IT firm providing services to higher education. Between 1993 and 1997, Mr. Cohen served on the board of Penn-America Group, a publicly held insurance company.

## **Disciplinary Information**

There are no legal or disciplinary events to disclose for Mr. Cohen.

## **Other Business Activities**

Mr. Cohen is not engaged in any investment-related business outside of his role with the Advisor and its affiliated entities.

## **Additional Compensation**

Mr. Cohen does not receive any additional compensation to be disclosed.

## **Supervision**

Mr. Cohen sources, negotiates, structures, and manages investments made pursuant to the Advisor's investment strategy. He is the Advisor's sole manager and retains decision-making authority for selection and disposition of investments for the Advisor. Mr. Cohen is not subject to the direct supervision of any other individual.