



# SANTA FE PARTNERS LLC

## Part 2A of Form ADV: *Firm Brochure*

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**This brochure provides information about the qualifications and business practices of Santa Fe Partners LLC. If you have any questions about the contents of this brochure, please contact us at 505-989-8180 or email [jim@santafepartnersllc.com](mailto:jim@santafepartnersllc.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Santa Fe Partners LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## Item 2      Material Changes

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In this Item we are required to disclose material changes to each annual disclosure brochure, (the “Brochure”). Our last firm Brochure, dated March 31, 2011, was the first annual Brochure to address the new requirements and rules which were adopted by the SEC in July 2010.

For your convenience, we are including descriptions here of changes we have made in this updated Brochure, dated June 20, 2011. We have included new information about the services provided by our Prime Broker in Item 12: Prime Brokers, specifically our recent inclusion in Barclay’s Capital Introduction Program. This updated Brochure also includes the new disclosure requirements of Part 2B of Form ADV, regarding our advisory professionals: James Leatherberry, Lawrence Tilmont, Girish Ganesan, and Johannes Matthijs (Matt) van Domselaar.

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## **Item 4            Advisory Business**

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Santa Fe Partners LLC is a SEC-registered investment adviser that has been in business since 2004. Our principal owner is James Leatherberry, Chief Executive Officer. SEC registration does not imply a certain level of skill or training.

We provide discretionary investment management services to private funds and managed accounts. We use a quantitative, approach that is based on advanced statistical techniques. Our overall investment strategy is a risk-based, model-driven process that seeks to capture short-term price inefficiencies in U.S. equity markets. We use our quantitative models to construct investment portfolios by predicting an individual stock's return relative to its industry mean. These predicted returns are then fed into a proprietary optimization process which explicitly includes constraints on market risk factors, position limits, volatility limits and sector and portfolio Exposures, while simultaneously taking transaction costs into account.

With respect to the private funds we manage, our advisory services are tailored to the investment objectives and investment guidelines set forth in the offering documents for each fund. With respect to managed accounts, as a general matter we employ our model-driven strategy but are able to tailor our services and accept certain restrictions on investing in certain securities and types of securities. Any such tailored services or investment restrictions are reflected in the investment guidelines that are agreed to by clients.

As of April 30, 2011, we manage approximately \$104,000,000 of client assets on a discretionary basis.

### **Impaired Funds**

Lehman Brothers, operating through several affiliated entities, including Lehman Brothers International Europe (LBIE) was the principal prime broker and principal custodian to Anasazi Systematic Long Short B, Anasazi Systematic European Long Short C, Anasazi Japanese Systematic Long Short D, Anasazi Systematic European Long Short E, Anasazi Systematic Japanese Long Short F, Anasazi Systematic Long Short LP, Anasazi Market Neutral LP, Anasazi Market Neutral 2X, and Anasazi Market Neutral 3X, (together the "Private Investment Funds"). LBIE was placed into administration in the United Kingdom on September 15, 2008, and trading in the affected private investment funds managed by the Adviser has been essentially suspended since September 15, 2008. Due to these exceptional and unforeseen circumstances, we have not accepted new subscriptions to the affected private investment funds. With respect to the Impaired Funds, it is our intent that when assets are unfrozen we will liquidate funds and distribute the proceeds. Based on estimates provided by the LBIE administrator, PriceWaterhouse Cooper ("PWC"), the value of assets, as of December 31, 2009, impaired due to insolvency, are \$239.2 million. Since the 3<sup>rd</sup> quarter of 2010, some recoveries have been made against LBIE and efforts are on-going to further recoveries.

## **PRIVATE FUNDS**

Below are brief descriptions of the fee schedules for the private investment funds we manage (each, a “Fund”, collectively, the “Funds”); these summaries are qualified by reference to the provisions of the relevant private placement memorandum and other offering documents for each Fund.

### **Abiquiu Long Short A LP.**

Management Fee:            2.0% per annum of the fund’s net asset value as of the first business day of each month. Payable monthly in arrears.

Incentive Fee:                20% of any “New High” in the value of each Series of Shares for the “Incentive Period (generally, a calendar year). Calculated on a per-series basis. The “new high” is any amount by which the value of a Series exceeds the “High Water Mark” for the Shares which is the greater of (a) the highest previous value of the Shares as of the end of any previous incentive period or (b) the value of the Shares at the date of purchase, but disregarding the effect of any decreases in the value of the Shares due to redemptions.

### **Chama Market Neutral 2X, LTD.**

Management Fee:            2.0% per annum of the fund’s net asset value as of the first business day of each month. Payable monthly in arrears.

Incentive Fee:                20% of any “New High” in the value of each Series of Shares for the “Incentive Period (generally, a calendar year). Calculated on a per-series basis. The “new high” is any amount by which the value of a Series exceeds the “High Water Mark” for the Shares which is the greater of (a) the highest previous value of the Shares as of the end of any previous incentive period or (b) the value of the Shares at the date of purchase, but disregarding the effect of any decreases in the value of the Shares due to redemptions.

### **Additional Fees and Expenses**

In addition to management and incentive fees, each Fund will also bear its operating and other expenses, including securities brokerage commissions and related transaction costs; interest payable; the Fund’s audit, legal and accounting fees; directors’ fees; and regulatory and filing expenses. To the extent a Fund invests in another commingled investment vehicle, such as an Exchange Traded Fund, the investment will be subject to the fees and expenses charged by the vehicle to all its investors. These are in addition to the fees and expenses charged by each Fund. Please see Item 12 below concerning our brokerage practices.

## **MANAGED ACCOUNTS**

The following is a basic fee schedule for investment advisory services to managed accounts. All such fees are fully disclosed in the relevant investment management agreements and are subject to negotiation.

Management Fee: 2.0% per annum of assets, generally assessed monthly in arrears.

Incentive Fee: 20% of net profits, subject to a “High Water Mark”.

Fees are billed as accrued to the client and are not deducted from clients’ assets. Subject to negotiation with the client, we may agree to assess fees quarterly in arrears or monthly in advance.

### **Additional Fees and Expenses**

In addition to our advisory fees, clients are also responsible for any fees and expenses including, without limitation, custodial fees, brokerage commissions, clearing fees, interest and withholding or transfer of assets. All of these fees are paid to third parties, not to us. Please see Item 12 below concerning our brokerage practices.

### **Limited Negotiability of Advisory Fees**

Although the Adviser has established the aforementioned fee schedule, we retain the discretion to assess a higher or lower management fee or rate of performance-based compensation with respect to certain advisory clients and/or fund investors. Client facts, circumstances and needs will be considered in determining the fee schedule. These include the relationship with the client, assets to be placed under management, anticipated future additional assets; related accounts, among other factors. The specific annual fee schedule will be identified in the contract between the adviser and each client.

### **Termination**

A client agreement may generally be canceled at any time, by either party, for any reason upon receipt of written notice as specified in the Investment Advisory Agreement or Investment Management Agreement. Upon termination, management fees will be billed on a pro-rata basis, and any incentive fees payable will be due upon termination.

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

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### **Performance-Based Compensation**

As disclosed in Item 5 of this Brochure, our firm accepts a performance-based fee from clients. Such a performance-based fee is calculated based on a share of capital gains on the assets of the client. Where advisory clients or fund investors pay for services by means of performance-based compensation there is an incentive for the Adviser to make investments that are riskier or more speculative than would be the case in the absence of the performance-based compensation. In addition, the performance on which performance-based compensation is calculated will include unrealized appreciation and depreciation of investments, which may not ultimately be realized.

### **Side-by-Side Management**

Side-by-side management generally refers to the practice of managing accounts with similar investment strategies but very different fee practices, usually a performance-based fee for one account and an asset-based fee for another. This creates potential conflicts of interest, including that an adviser has an incentive to favor the performance-based fee account to take advantage of the greater fee opportunity. This favoritism can affect the allocation of investment opportunities- where the “good” opportunities are given only or primarily to the performance-based fee account even where the other accounts could participate, and trade execution- where trading for multiple accounts and the “best” trades go to the performance-based account.

We do not have traditional side-by-side management concerns because within our strategies we do not have certain accounts with performance-based fees and certain accounts with only asset-based fees. We do have accounts within our Market Neutral and Long Short strategies with different performance fee structures, however. Because some of the performance-based fee structures may be higher than others, the same sorts of conflicts of interest that exist in traditional side-by-side management practices are also present, although the economic incentive generally is not as significant.

We address these conflicts of interest within each strategy using a combination of procedures and monitoring activities. As an initial matter, accounts within the same strategy are managed using our model. It triggers the buy and sell decisions for the accounts. Certain accounts may not participate in a particular transaction due to the inability of the prime broker to lend a particular stock for short sale. However, over time, all accounts participate in a fair and equitable manner in the strategy’s investment opportunities. On the trading front, we pre-allocate all client trades in the strategy for execution by one broker. This broker provides us with guaranteed volume weighted average price for our transactions and charges the same commission to the affected clients. This eliminates the risk of favorable trades being allocated to the higher fee account. Finally, we regularly monitor the performance of the various accounts in the strategy to ensure there are no unacceptable outliers, which could be an indicator of an account receiving favorable treatment. We discuss our trading practices further in Item 12 below.

## **Item 7           Types of Clients**

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We currently provide advisory services to the Funds and to third party funds of private investment funds. Each of the Funds has a minimum investment amount of \$1,000,000. Subject to certain limitations, minimum investment amounts may be waived in our sole discretion. For further information, please refer to the relevant private placement memorandum and other offering documents for each Fund. Our managed account minimum is \$10,000,000, which we may waive in our sole discretion.

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

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### **METHODS OF ANALYSIS**

#### **Technical & Statistical Quantitative Analysis**

We use quantitative models to construct investment portfolios. Each portfolio is constructed by predicting an individual stock's return relative to its industry mean. These predicted returns are then fed into a proprietary optimization process which explicitly includes constraints on market risk factors, position limits, volatility limits and sector and portfolio exposures, while simultaneously taking transaction costs into account.

#### **Risks for Quantitative Analysis**

Our technical analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information. While we continuously review and refine, if necessary, our investment approach, there may be market conditions where the quantitative investment approach performs poorly. Despite the proprietary nature of quantitative equity models, their effectiveness can dissipate over time as a result of the independent discovery of similar strategies by academics and practitioners and as the market becomes more efficiently priced. Technological advances in computing and the Internet have made the processing and dissemination of vast amounts of financial data much easier. As a result, the proprietary components of any model are constantly threatened with discovery and publication, which will cause their investment value to be potentially arbitrated away. Consequently, dedication to constant innovation is an integral component of any quantitative investment-management process.

### **INVESTMENT STRATEGIES**

#### **Market Neutral Strategy**

The market neutral strategy seeks to achieve superior risk-adjusted returns by employing a market-neutral strategy in highly liquid equities. Utilizing trading models based on advanced statistical signal processing techniques, we seek to capture short-term price inefficiencies.



Identifiable systematic market risks are hedged out of the portfolio by means of a multi-factor risk model. In addition to market factor neutrality, the strategy is kept close to dollar-neutral with respect to long and short positions. This dollar neutrality is enforced on both an overall portfolio basis and a sector basis. We will generally invest in what we believe are highly-liquid listed U.S. equities. We may utilize leverage and may from time to time have net market exposure – normally between 10% net long and 10% net short.

### **Long/Short Strategy**

The long/short strategy seeks long-term growth of capital. The long/short strategy focuses on seeking superior risk adjusted returns by capitalizing on inefficiencies of highly liquid stocks against their peers. The model also seeks to take advantage of short term price anomalies between sectors and the broad market as well as market factor inefficiencies. Long positions will be in securities that the model suggests are likely to appreciate in value, and short positions will be in securities the model suggests are likely to depreciate in value. The portfolio is created and rebalanced in a systematic fashion and has little or no human intervention. Any manual overrides by us will be solely for risk reduction purposes.

The long portion of the portfolio is comprised of stocks for which the model has suggested a relative out-performance. Similarly, the short portion of the portfolio is comprised of stocks that have a predicted relative underperformance. The net dollar exposure of the portfolio is normally kept close to 0% and the beta of the portfolio with respect to the S&P 500 is normally kept between 20% and -20%. A single stock does not have more than 1% of the total capital invested in it and a single sector does not have a net exposure of more than 20% of the total capital. Also, no sector will have a net short exposure. Not all sectors have similar long and short allocations.

### **Trading**

We generally trade securities with the idea of buying or selling them very quickly (typically within 3-5 days). We do this in an attempt to take advantage of short-term price inefficiencies in equity markets. Because this strategy involves more frequent trading than does a longer-term strategy, there will be increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains. Because of these costs, frequent trading can affect overall investment performance.

### **Short Sales**

We may seek to realize additional gains or hedge investments through short sales. Short sales are transaction in which we sell a security for a portfolio which it does not own, in anticipation of a decline in the market value of that security. To complete such a transaction, we must borrow the security to make delivery to the buyer. We are then obligated to replace the security borrowed by purchasing it at the market price at or prior to the time of replacement. The price at such time may be more or less than the price at which the security was sold by the strategy.

### **Leverage (Funds Only)**

This practice may significantly increase a strategy's market exposure and its risk. When a portfolio has borrowed money for leverage and its investments increase or decrease in value, the portfolio's net asset value will increase or decrease more (possibly by multiples, depending upon the degree of leverage employed by the portfolio at such time) than if it had not borrowed money. In addition, the interest the portfolio must pay on borrowed money will reduce the amount of any potential gains or increase any losses.

## **MATERIAL RISKS**

Investing in securities involves risk of loss that you should be prepared to bear. There is no assurance that an investment will provide positive performance over any period of time. Past performance is no guarantee of future results and different periods and market conditions may result in significantly different outcomes. The material risks presented by the strategies and the securities we invest in are set forth below.

*Stock market risk:* the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

*Large-cap stock risk:* the chance that returns from large-capitalization stocks will trail returns from the overall stock market. Large-cap stocks tend to go through cycles of doing better—or worse—than the stock market in general. These periods have, in the past, lasted for as long as several years which is the chance that returns from large-capitalization stocks will trail returns from the overall stock market. Large-cap stocks tend to go through cycles of doing better—or worse—than the stock market in general. These periods have, in the past, lasted for as long as several years.

*Mid-cap stock risk:* the chance that returns from mid-capitalization stocks will trail returns from the overall stock market. Historically, mid-cap stocks have been more volatile in price than the large-cap stocks that dominate the overall market, and they often perform quite differently. Mid-cap stocks tend to have greater volatility than large-cap stocks because, among other things, medium-size companies are more sensitive to changing economic conditions.

*Small-cap stock risk:* the chance that the stocks of small-capitalization companies often experience greater price volatility than large- or mid-sized companies because small-cap companies are often newer or less established than larger companies and are likely to have more limited resources, products and markets. Securities of small-cap companies are often less liquid than securities of larger companies as a result of there being a smaller market for their securities.

*Short sale risk:* Short sales lose when the stock price rises. As such, the market risk is unlimited in that the increase in the market price of the security sold short is unlimited. In addition, the amount of any gain will be decreased, and the amount of any loss increased, by the amount of any premium, dividends, interest or expenses we may be required to pay in connection with a short sale.

*Borrowing and Leverage.* A strategy may invest in securities subject to indebtedness. This practice, depending upon the extent to which it is employed, may significantly increase the Fund's market exposure and its risk. When a strategy has borrowed money for leverage and its investments increase or decrease in value, a portfolio's net asset value will increase or decrease more (possibly by multiples, depending upon the degree of leverage employed by the portfolio at such time) than if it had not borrowed money. In addition, the interest the portfolio must pay on borrowed money will reduce the amount of any potential gains or increase any losses. The extent to which a portfolio will borrow money, and the amount it may borrow, will depend on market conditions and interest rates.

*Economic Risk.* Changes in economic conditions, including, for example, interest rates, inflation rates, political and diplomatic events and trends, tax laws and innumerable other factors, can affect substantially and adversely the business and prospects of a strategy.

*Investment Competition.* The market for some types of securities is highly competitive. We will be competing for investment opportunities with a significant number of financial institutions, other private funds as well as various institutional investors. Many of these competitors are larger and have greater financial, human and other resources than we have and may in certain circumstances have a competitive advantage over us. As a result of this competition, there may be fewer attractively priced investment opportunities, which could have an adverse impact on the our ability to meet an account's investment objective or the length of time that is required for an account to become fully invested.

*Counterparty Creditworthiness.* We may trade securities on a principal basis in the over-the-counter market and, therefore, may be subject to the risk of insolvency, bankruptcy or delivery failure of its transaction counterparty.

*Institutional Risk and Custodial Risks.* The institutions, including brokerage firms and banks, with which we (directly or indirectly) do business, or to which securities have been entrusted for custodial and prime brokerage purposes, may encounter financial difficulties that impair the operational capabilities or the capital position of an account. Brokers may trade with an exchange as a principal on behalf of an account, in a "debtor-creditor" relationship, unlike other clearing broker relationships where the broker is merely a facilitator of the transaction. Such broker could, therefore, have title to assets of the account (for example, the transactions which the broker has entered into on behalf of the account as principal as well as the margin payments which the account provides). In the event of such broker's insolvency, the transactions which the broker has entered into as principal could default and the account's assets could become part of the insolvent broker's estate, to the detriment of the account. In this regard, account assets may be held in "street name" such that a default by the broker may cause the account's rights to be limited to that of an unsecured creditor.

*Foreign Securities.* We may invest in American Depositary Receipts ("ADRs"), which are U.S. dollar-denominated equity and debt securities of foreign issuers or directly in foreign securities. Interest or dividend payments on such securities may be subject to foreign withholding taxes. Investments in foreign securities involve considerations and risks not typically associated with investments in securities of domestic companies, including possible unfavorable changes in

currency exchange rates, reduced and less reliable information about issuers and markets, different accounting standards, illiquidity of securities and markets, local economic or political instability and greater market risk in general.

## **Item 9            Disciplinary Information**

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We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. Our firm and our management personnel have no reportable legal or disciplinary events to disclose.

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

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This Item requests information about the other financial industry activities and affiliations of us and our management persons. Our firm and our management persons do not engage in other financial industry activities and we do not have any relationships or arrangements with related persons that are material to our business or to our clients. In the interests of full disclosure, however, we note the following relationships. Wolf Asset Management International LLC ("Wolf"), an SEC-registered investment adviser, is a member of our limited liability company and owns 10% of our firm but does not control us or have any involvement in the management of our firm or our client portfolios. We entered into a Master Sub-Advisory Agreement with Wolf in 2006 pursuant to which Wolf could appoint us as a sub-adviser to its funds and client accounts. We have not sub-advised any accounts for Wolf since 2008. See Item 14 below for more information concerning our relationship with Wolf. We have no other business arrangements with Wolf.

Thomas Zimmerman is a member of our limited liability company and owns 9% of the firm. Mr. Zimmerman is not an officer or executive of the firm, does not control the firm, and has no involvement in the management of the firm or our client portfolios. Mr. Zimmerman is separately licensed as a registered representative of Regent Capital Group Inc., an unaffiliated broker-dealer. We do not execute client trades with Regent Capital Group, Inc. and we have not retained it to refer to new clients or prospective investors to us. See Item 14 below for more information concerning our relationship with Mr. Zimmerman.

We have retained a third party to provide outsourced CFO services to us. Blue River Partners LLC performs various back-office services for us pursuant to a contract between the parties. We have no affiliation with Blue River and no other arrangements with it.

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

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Santa Fe Partners LLC has established, maintains and enforces a Code of Ethics which sets forth the standards of conduct expected of employees, to require compliance with the federal securities laws, and to uphold the Adviser's fiduciary duties. The Code requires that the Adviser shall conduct its business at all times consistent with its status as a fiduciary to its clients and upholds affirmative duties of care, loyalty, honesty and good faith in connection with all of its activities.

Our Code of Ethics requires that employees avoid conflicts of interest in their personal and business activities. A conflict of interest exists when an employee has a personal interest in a matter that may be inconsistent or incompatible with the employee's obligation to exercise his or her best judgment in pursuit of the interest of the Adviser and its clients or where an outside activity encroaches on the time an employee should devote to the affairs of the Adviser.

With respect to all employees, the Code specifically addresses and sets forth certain limitations concerning the receipt and/or provision of gifts and entertainment, personal interests in any service providers of the firm, and outside activities of employees.

With respect to employees involved in making and executing securities recommendations for client accounts or who have access to such information ("Access Persons"), the Code contains a number of policies and procedures to address conflicts of interest based on the fundamental principle that Access Persons owe their chief duty and loyalty to the Adviser's Clients. Under the Code, Access Persons, among other things, are:

- required to ensure the confidentiality of client information
- required to provide the Chief Compliance Officer with information concerning personal securities transactions such as initial and annual holdings reports, quarterly transaction reports, and copies of brokerage statements and transaction confirmations;
- prohibited from transacting in Securities that are held by a Client account (other than ETFs based on broad-market indexes);
- prohibited from investing in initial public offerings; and
- required to obtain the Chief Compliance Officer's approval before engaging in private placements.

Because we do not prohibit employees from investing in the same securities in which client accounts invest or may invest (other than as described above), we review the periodic personal securities transactions and holdings reports in an effort to ensure that employees do not personally benefit from, or try to take advantage of, their knowledge of upcoming buys and sells within client accounts. As a general matter, given the nature of our clients' investments and the limited personal securities activities of our

employees, we do not believe as a practical matter that employees will be able to benefit personally from such knowledge.

Our Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

The Code further requires that:

- all employees receive a copy of the Code (and amendments to it) and certify initially and annually that they have received, read and understand this Code, recognize that they are subject to it and will comply with it;
- any employee who discovers a violation or apparent violation of the Code (including his or her own) must promptly report the matter to the Chief Compliance Officer, that such reports will be treated confidentially to the extent permitted by law and will be investigated promptly and appropriately, and that retaliation against individuals who report violation or apparent violation of the Code in good faith is prohibited;
- violators may be terminated, suspended, reduced in salary or position or sanctioned in any other manner in the discretion of the person or persons enforcing the Code and that in addition to sanctions, violations may result in referral to civil or criminal authorities where appropriate.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the address, phone number, or email indicated on the first page.

**Selection of Brokers**

Because we have determined that guaranteed volume weighted average price strategy (“GVWAP”) is the most appropriate trading strategy for our model driven portfolio, we select brokers for trade execution that are willing to provide this method of trade execution. Barclays Capital Inc. has been appointed as the prime broker and custodian for our private funds and we recommend it for other client accounts as well (the “Prime Broker”). The Prime Broker provides various services to client accounts, including centralized administration and custody, and consolidation of all trading activities into a single account, with all trades cleared and settled at the Prime Broker.

The Prime Broker has recently approved our participation in its Capital Introduction Program. Through the program, the Prime Broker assists us in meeting prospective advisory clients and fund investors. As part of the program, the Prime Broker may also provide us with information about our industry and introduce us to potential service providers. We and the funds do not pay the Prime Broker for participating in the program. This raises a potential conflict of interest for us regarding our use of the Prime Broker. However, we used the Prime Broker for several years before being accepted into the program and will continue to use the Prime Broker regardless of our participation in the program or its success as long as we believe the Prime Broker is capable of providing the services necessary for us to fulfill our obligations to client accounts. As such, this Capital Introduction Program is not a factor in our continued use of Barclays Capital Inc. as the prime broker.

**Research and Other Soft Dollar Benefits**

It is our policy not to use commissions generated from trades for research and brokerage services. These commissions are generally known as “soft dollars”. If our policy regarding soft dollars changes in the future, we shall adopt policies and procedures consistent with Section 28(e) of the Securities Exchange Act of 1934 and any applicable regulatory guidance.

From time to time, we receive unsolicited research from brokers. We do not use any unsolicited research, and receipt of such research does not influence our decision to use the broker providing the research.

**Directed Brokerage**

Although we generally discourage client direction of brokerage transactions, we are willing to agree to it from time to time. If a client chooses to retain brokerage discretion, we are then required to place trades with the broker-dealer designated by the client. Unless otherwise specified by the client in writing, we are no longer responsible for best execution when the client retains brokerage discretion. Client direction of brokerage transactions in this manner may cost the client more money. For example, the client may pay higher brokerage commissions because we may not be able to aggregate multiple client trades to reduce transaction costs or the client may receive less favorable prices.

## **Trading Process**

Each model generates trades for each client account on a daily basis. Before placing the trades with the Prime Broker, we allocate each trade to the appropriate client account. We then transmit the trades to the Prime Broker, which executes the trades using the GVWAP approach discussed above. If multiple similar orders for the same security cannot be filled, the Prime Broker allocates the executed trades pro rata based on the initial indicated levels of interest for each client. Because of the GWAP process, client orders do not compete against each other in the market. Neither do clients different execution prices or pay different commission rates.

## **Item 13          Review of Accounts**

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We are continually reviewing and revising the portfolio models. This is an ongoing effort. All changes to the models are approved by the Senior Partners responsible for investments and an audit trail of changes is maintained. Beyond the models, we also continually monitor developments for unmodeled risk factors and will take appropriate action to reduce risks as necessary.

Management of managed accounts is reviewed with each client on a periodic basis. A personal meeting is encouraged at least annually or more frequently if desired by the client.

### **Reports**

We provide to each Fund investor monthly financial statements which are prepared and delivered by the Fund Administrator.

We offer to provide monthly written statements to each managed account client, including an income statement and a balance sheet.

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

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### **Cash Compensation for Advisory Client Referrals**

As part of our Limited Liability Company Operating Agreement, our investor Wolf (see Item 10 above), has the right to receive a percentage of all management and performance fees for each client Wolf introduces. Any such referrals shall comply with the requirements of Rule 206(4)-3 under the Advisers Act, which among other things requires that the soliciting party disclose to the prospective client its relationship with respect to us at the time of referral and that the solicitor obtain a signed disclosure statement from each prospective client.



With respect to Mr. Zimmerman (see Item 10 above), we previously had a solicitor arrangement with him that is no longer in effect. He continues to receive payments related to clients he referred to us when the arrangement was in effect.

We have a solicitation agreement with Blue Sand Securities, LLC (“Blue Sand”), a FINRA-registered broker-dealer, pursuant to which we have agreed to pay it a percentage of all management and performance fees we receive from clients it refers to us. Our agreement requires Blue Sand to disclose its relationship to us and to obtain a signed disclosure statement from each prospective client.

We have a solicitation agreement with Lincoln Square Advisors, LLC (—Lincoln Square||) pursuant to which Lincoln Square will introduce us to other third party marketing firms who will market our advisory services to potential clients. Any such referrals shall comply with the requirements of Rule 206(4)-3 under the Advisers Act, which among other things requires that the soliciting party disclose to the prospective client its relationship with respect to us at the time of referral and that the solicitor obtain a signed disclosure statement from each prospective client. For successful referrals, we have agreed to pay Lincoln Square a percentage of all management and performance fees we receive from clients referred to us through Lincoln Square. Lincoln Square in turn is responsible for compensating the third-party marketing firm.

### **Fund Investor Referrals**

With respect to Mr. Zimmerman (see Item 10 above), he previously solicited investors for us, but no longer does so. He may receive payments related to previous referrals.

Our agreement with Blue Sand also addresses the referral of prospective Fund investors and similarly provides for the payment pay of a percentage of all management and performance fees we receive related to fund investors it refers to us. Because these payments are not subject to the provisions of Rule 206(4)-3 under the Advisers Act, there is no requirement for a written disclosure statement. Investors with questions about our relationship with Blue Sand are encouraged to contact us.

We also have a referral agreement with Lincoln Square’s broker-dealer affiliate pursuant to which the affiliate will introduce us to other third party marketing firms who will market our private funds to potential investors. For successful referrals, we have agreed to pay Lincoln Square’s affiliate a percentage of all management and performance fees we receive from investors referred to us through the affiliate. The affiliate in turn is responsible for compensating the third-party marketing firm. Because these payments are not subject to the provisions of Rule 206(4)-3 under the Advisers Act, there is no requirement for a written disclosure statement. Investors with questions about our relationship with Lincoln Square and its affiliates are encouraged to contact us.

## **Item 15            Custody**

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At no time will we intentionally hold client cash and securities. However, we serve as general partner or managing member to the Funds. As such, we are deemed to have custody of those assets. With respect to these client accounts, we will comply with the custody rules under Rule 206(4)-2 of the Advisers Act as follows:

- We will maintain all Fund assets with a third party “qualified custodian” as defined in Rule 206(4)-2 of the Advisers Act.
- We will ensure that the Fund’s offering memoranda discloses the name and address of the Qualified Custodian.
- We will ensure that each Fund obtains an annual audit by a PCAOB-registered and examined independent public accountant and that we provide copies of each Fund’s audited financial statements prepared in accordance with generally accepted accounting principles (GAAP) to each Fund investor within 120 days of a Fund’s fiscal year end.
- We do not accept physical possession of securities.

## **Item 16            Investment Discretion**

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Under the authority of an executed investment management agreement and/or a Fund’s governing documents, we accept full discretionary authority to manage securities accounts on behalf of clients, in accordance with such investment objectives and guidelines as set forth in the applicable investment management agreement or Fund offering memoranda. This means that we, without obtaining client approval in advance, can:

- 1) buy and sell securities,
- 2) determine the amount of securities to be bought and sold,
- 3) determine which broker or dealer to use, and
- 4) negotiate commission rates.

## **Item 17            Voting Client Securities**

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We votes proxies for the Funds. We have retained Glass Lewis & Co. to perform administrative services related to proxies on securities the Funds hold and have adopted Glass Lewis & Co.’s Proxy Voting Policy as our own. The policy provides that we will vote in the best long-term economic interest of our advisory clients and their beneficiaries, considering all relevant factors and without undue influence from individuals or groups who may have an economic interest in the outcome of a proxy vote. Given the nature of our Fund investor base, it is highly unlikely we will have a conflict involving proxy voting, e.g.,

if an investor was an issuer or executive of an issuer that we also own in a Fund. In such a circumstance, however, we would follow the recommendation of Glass Lewis & Co. and prohibit any over-riding of such recommendation. Fund investors may obtain a copy of the Proxy Voting Policy or a record of how proxies for the private fund in which they invested were voted free of charge by calling or writing us at the number or address set forth on Page 1.

We do not vote proxies for managed account clients.

## **Item 18            Financial Information**

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Under no circumstances do we require or solicit payment of fees more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations.

You should be aware that our prolonged inability to manage the private investment funds frozen in the LBIE administration and collect management fees for such services has resulted in a material decrease in our revenues. In an effort to replace certain of these revenues and to ensure our ongoing ability to continue in business and to seek the recovery of the fund assets held by LBIE, certain investors in the affected funds have entered into agreements with us to pay us a monthly fee in lieu of such investor's allocable share of fund management fees that are not being charged. Such agreements are terminable at any time by the investors and will in any event cease upon the earlier of (i) the substantial recovery of fund assets in the LBIE administration proceedings or (ii) our procurement of alternative investment capital in an amount sufficient to enable us to operate its business in the ordinary course. We, however, have provided no special rights to these investors relating to fund investment terms, including liquidity or redemption options. We do provide the investors with certain status updates concerning the LBIE recovery efforts and our financial condition. To the extent the investors mentioned above terminate our agreements and we are not able to pursue sufficient alternative investment capital, we may be unable to provide ongoing services. Any questions concerning these matters should be directed to our Chief Executive Officer.

Santa Fe Partners LLC has not been the subject of a bankruptcy petition at any time since the firm's inception.

## Part 2B of Form ADV: Brochure Supplement

### James D. Leatherberry

Santa Fe Partners, LLC  
1512 Pacheco Street, Suite D-202  
Santa Fe, NM 87505  
(505) 989-8180  
June 15, 2011

**This Brochure Supplement provides information about James D. Leatherberry that supplements Santa Fe Partners' Firm Brochure. You should have received a copy of that brochure. Please contact Santa Fe Partners' Chief Compliance Officer, Venessa Chavez, at (505) 989-8180 if you did not receive Santa Fe Partners' brochure or if you have any questions about the contents of this supplement.**

#### *Item 2 Educational Background and Business Experience*

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##### *Year of Birth*

1950

##### *Formal Education*

MBA, Finance and International Business; George Washington University, Washington D.C., 1977

BS, Finance and International Business; Ohio State University, Columbus, Ohio. 1973

##### *Business Background*

Prior to founding Santa Fe Partners, LLC in 2004, Mr. Leatherberry was Managing Director of Global Trading Products at Prediction Company (a hedge fund affiliate of UBS) from 2000-2003. He managed a highly skilled team of researchers and software developers. The team developed and enhanced a successful statistical arbitrage trading strategy for equity markets of the UK and eight European markets. Prior to this position he was Managing Director—Capital Markets Technology, at Bank of America from 1998 to 2000.

Mr. Leatherberry's experience has encompassed a variety of markets and products. He has extensive experience and expertise in the equity, foreign exchange, fixed income and commodity markets. His responsibilities have included trading, portfolio management, financial engineering, and research. He has held memberships at the Philadelphia Stock Exchange and the International Monetary Market division of the Chicago Mercantile Exchange. He holds a bachelor's degree in International Finance from Ohio State University and an MBA from George Washington University in International Finance.

#### *Item 3 Disciplinary Information*

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Mr. Leatherberry has no reportable disciplinary history

#### *Item 4 Other Business Activities*

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Mr. Leatherberry is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of Santa Fe Partners.

#### *Item 5 Additional Compensation*

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Mr. Leatherberry does not receive any economic benefit from any non-advisory client for the provision of advisory services.

#### *Item 6 Supervision*

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As Mr. Leatherberry is CEO and Managing Partner of the firm, his advisory activities are generally supervised by his co-partners, Lawrence Tilmont and Girish Ganesan. Mr. Leatherberry is subject to the firm's written compliance and supervisory procedures and the related ongoing compliance monitoring and testing. Lawrence Tilmont can be contacted by calling (505) 989-8180, or by e-mail at [lou@santafepartnersllc.com](mailto:lou@santafepartnersllc.com). Girish Ganesan can be contacted at (505) 989-8180, or by e-mail at [girish@santafepartnersllc.com](mailto:girish@santafepartnersllc.com).

## Form ADV Part 2B: Brochure Supplement

### Lawrence Tilmont

Santa Fe Partners, LLC  
1512 Pacheco Street, Suite D-202  
Santa Fe, NM 87505  
(505) 989-8180  
June 10, 2011

**This Brochure Supplement provides information about Lawrence Tilmont that supplements Santa Fe Partners' Firm Brochure. You should have received a copy of that brochure. Please contact Santa Fe Partners' Chief Compliance Officer, Venessa Chavez, at (505) 989-8180 if you did not receive Santa Fe Partners' brochure or if you have any questions about the contents of this supplement.**

#### *Item 2 Educational Background and Business Experience*

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##### *Year of Birth*

1961

##### *Formal Education*

Attended College of Santa Fe, Santa Fe, New Mexico, 1999-2003

Attended Columbia University, New York, New York, 1982

##### *Business Background*

Prior to founding Santa Fe Partners in 2004, Lawrence Tilmont was formerly Chief Product Software Engineer for Prediction Company's Global Stat Arb Group from 2000 to 2004. He is experienced in all technical aspects of a complex trading infrastructure including: data acquisition, automated trading systems, and the design and implementation of sophisticated trading model software.

#### *Item 3 Disciplinary Information*

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Mr. Tilmont has no reportable disciplinary history

#### *Item 4 Other Business Activities*

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Mr. Tilmont is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of Santa Fe Partners.

#### *Item 5 Additional Compensation*

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Mr. Tilmont does not receive any economic benefit from any non-advisory client for the provision of advisory services.

#### *Item 6 Supervision*

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Mr. Tilmont is subject to the firm's written compliance and supervisory procedures and the related ongoing compliance monitoring and testing. James Leatherberry, Santa Fe Partners' Chief Executive Officer and Managing Partner, supervises Mr. Tilmont's advisory activities. James Leatherberry can be contacted by calling (505) 989-8180, or by e-mail at [jim@santafepartnersllc.com](mailto:jim@santafepartnersllc.com).

## Form ADV Part 2B: Brochure Supplement

### Girish Ganesan

Santa Fe Partners, LLC  
1512 Pacheco Street, Suite D-202  
Santa Fe, NM 87505  
(505) 989-8180  
June 10, 2011

**This Brochure Supplement provides information about Girish Ganesan that supplements Santa Fe Partners' Firm Brochure. You should have received a copy of that brochure. Please contact Santa Fe Partners' Chief Compliance Officer, Venessa Chavez, at (505) 989-8180 if you did not receive Santa Fe Partners' brochure or if you have any questions about the contents of this supplement.**

#### *Item 2 Educational Background and Business Experience*

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##### *Year of Birth*

1974

##### *Formal Education*

PhD, Electrical Engineering with Specialization in Signal Processing; Uppsala University, Sweden, 2002

ME, Electrical Communication Engineering; Indian Institute of Science, Bangalore, India, 1998

BSc, Physics (Minors: Chemistry & Mathematics); Calicut University, India, 1994

##### *Business Background*

Dr. Ganesan joined Santa Fe Partners in 2005 and has significant experience in developing trading models including a position as a Research Scientist for Prediction Company's Global Stat Arb Group, where he was employed from 2002 to 2004. Immediately prior to joining Santa Fe Partners, Dr. Ganesan was employed as a consultant to the alternative investment industry.

#### *Item 3 Disciplinary Information*

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Dr. Ganesan has no reportable disciplinary history

#### *Item 4 Other Business Activities*

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Dr. Ganesan is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of Santa Fe Partners.

#### *Item 5 Additional Compensation*

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Dr. Ganesan does not receive any economic benefit from any non-advisory client for the provision of advisory services.

#### *Item 6 Supervision*

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Dr. Ganesan is subject to the firm's written compliance and supervisory procedures and the related ongoing compliance monitoring and testing. James Leatherberry, Santa Fe Partners' Chief Executive Officer and Managing Partner, supervises Dr. Ganesan's advisory activities. James Leatherberry can be contacted by calling (505) 989-8180, or by e-mail at [jim@santafepartnersllc.com](mailto:jim@santafepartnersllc.com).

## Form ADV Part 2B: Brochure Supplement

### Johannes Matthijs (Matt) van Domselaar

Santa Fe Partners, LLC  
1512 Pacheco Street, Suite D-202  
Santa Fe, NM 87505  
(505) 989-8180  
June 10, 2011

**This Brochure Supplement provides information about Johannes Matthijs (Matt) van Domselaar that supplements Santa Fe Partners' Firm Brochure. You should have received a copy of that brochure. Please contact Santa Fe Partners' Chief Compliance Officer, Venessa Chavez, at (505) 989-8180 if you did not receive Santa Fe Partners' brochure or if you have any questions about the contents of this supplement.**

#### *Item 2 Educational Background and Business Experience*

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##### *Year of Birth*

1971

##### *Formal Education*

MSc, Aerospace Engineering; Department of Astrodynamics and Satellite Systems, Delft University of Technology, Delft, The Netherlands, 1997.

BSc, Aerospace Engineering; Delft University of Technology, Delft, The Netherlands, 1993.

##### *Business Background*

Mr. van Domselaar joined Santa Fe Partners in 2007. He has a background in risk management and quantitative portfolio construction, most recently as Director of Risk Management at Wolf International Advisors, a fund of hedge funds (2005-2006). Before joining Wolf, he was a Managing Director at Prediction Company (2001-2005), a proprietary statistical arbitrage hedge fund subsidiary of UBS. At Prediction Company he led a team of researchers and programmers in developing a successful high frequency trading strategy. He was also a Research Scientist at the Institute of Geophysics and Planetary Physics at Scripps Institution of Oceanography, where he was involved in crustal deformation research using the Global Positioning System (GPS).

#### *Item 3 Disciplinary Information*

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Mr. van Domselaar has no reportable disciplinary history

#### *Item 4 Other Business Activities*

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Mr. van Domselaar is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of Santa Fe Partners.

#### *Item 5 Additional Compensation*

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Mr. van Domselaar does not receive any economic benefit from any non-advisory client for the provision of advisory services.

#### *Item 6 Supervision*

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Mr. van Domselaar is subject to the firm's written compliance and supervisory procedures and the related ongoing compliance monitoring and testing. Girish Ganesan, Santa Fe Partners' Senior Portfolio Manager and Partner, supervises Mr. van Domselaar's advisory activities. Girish Ganesan can be contacted by calling (505) 989-8180, or by e-mail at [girish@santafepartnersllc.com](mailto:girish@santafepartnersllc.com).