

# SALI Fund Management, LLC

## Part 2A of Form ADV

### The Brochure

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Updated: March 18, 2020

This brochure provides information about the qualifications and business practices of SALI Fund Management, LLC (“**SALI**”). If you have any questions about the contents of this brochure, please contact us at (512) 735-7254. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

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

## Material Changes

This section discusses only material changes since the last annual amendment. SALI's most recent amendment to Part 2A of Form ADV was made on March 28, 2019.

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## Advisory Business

SALI Fund Management, LLC ("**SALI**"), a Delaware limited liability company, provides investment advice and administrative services to private investment funds (each a "**Fund**" and collectively the "**Funds**"). As described below, limited partnership interests (or equivalent interests in other types of pooled investment vehicles in addition to limited partnerships) in the Funds are available to prospective insurance company limited partners and insurance dedicated partnerships, which satisfy the requirements of Internal Revenue Service Regulation sec. 817-5(f)(3) and to individual limited partners through the taxable Funds.

Affiliates of SALI serve as the general partners of the Funds (the "**General Partner**" or "**General Partners**"). The investment objectives of the Funds are generally to achieve superior long-term investment returns from investments in underlying portfolio funds, individual securities, and/or separate accounts utilizing various investment strategies. Such underlying portfolio funds include without limitation, hedge funds and other private investment funds. SALI may, on a discretionary basis, invest in a wide range of securities and other instruments. The Funds are private investment funds and may issue a number of different series of interests (each one a "**Series**"). The Funds and their Series are managed according to the objectives and investment policies described in their respective offering and/or operational documents, including an offering memorandum ("**Confidential Offering Memorandum**") and/or a supplement to the offering memorandum

(each a **“Series Supplement”**) (collectively, **“Offering Documents”**). The Funds’ limited partners (or equivalent owners in other types of pooled investment vehicles in addition to limited partnerships) may not impose investment restrictions. A Series is considered for various reasons a distinct private investment fund.

SALI was founded in 2002 and is owned by SALI-East, LLC; 327 Investments, LLC; Long Ridge Equity Partners II, LP; Long Ridge SALI Offshore Investor, LLC; and seven other employees of SALI. SALI-East, LLC is owned by 9697, Inc. (which is ultimately owned by Matthew Phillips), Danbec Associates, Inc. (which is ultimately owned by Michael B. Liebeskind), Gunflint, Inc. (which is ultimately owned by Brent D. Kinetz), Jacamonchar, Inc. (which is ultimately owned by Campbell T. Gerrish), Eric Naison-Phillips, Aaron Abrahms, Alexander Tuff and Rohit Dalmia (excluding Michael Liebeskind, these individuals are referred to in this brochure as **“Principals”**). 327 Investments, LLC is owned by Thomas A. Nieman. On February 15, 2018, Long Ridge Equity Partners II, LP and Long Ridge SALI Offshore Investor, LLC (together, the **“Long Ridge Funds”**), two private investment funds managed by Long Ridge Equity Partners, LLC, acquired a minority stake in SALI (the **“LRE Transaction”**). As part of the LRE Transaction, SALI implemented a Board of Managers. The initial members of the Board of Managers are Thomas A. Nieman (representing 327 Investments, LLC), Eric Naison-Phillips (representing SALI-East, LLC) and Kevin B. Bhatt (representing the Long Ridge Funds). On July 9, 2018, Dilip B. Patel and Karen P. Halliday joined the Board of Managers. Neither Mr. Patel nor Ms. Halliday holds any direct or indirect ownership interest in SALI. On January 1, 2019, Jonas Katz acquired a minority stake in the SALI and on January 1, 2020, six other employees of SALI also acquired minority interests in SALI.

As of January 1, 2020, SALI managed approximately \$11 billion on a discretionary basis.

## **Fees and Compensation**

In consideration for the provision of investment advisory services to each Fund or Series, generally there will be debited from the capital account of each limited partner and paid to SALI (or an affiliate of SALI) a management fee (the **“Management Fee”**) computed at the rate specified and in the manner described in the Offering Documents relevant to such limited partner.

The Management Fees of the Funds or Series typically range from 0.15% to 2.25% per annum and may be charged daily, monthly or quarterly in advance or arrears, depending on the Fund or Series and the date of a limited partner’s initial investment. SALI passes on most of its management fee as compensation payable to its Investment Subadvisors (each a **“Subadvisor”**). Most Funds and Series have a Subadvisor that is independent of SALI. SALI retains a relatively small portion of the management fee borne by each Fund or Series (typically, this is no more than 25 basis points). The portion of the Management Fee retained by SALI is negotiable between SALI and the Subadvisor.

SALI is entitled to receive an incentive, or performance-based, fee from some Funds and Series. Details of any incentive fee are described in the applicable Offering Documents. In almost all cases, SALI passes the entire incentive fee on to its Subadvisors.

SALI’s Management Fees do not include the expenses of any service providers hired by the Funds

or Series and do not include expenses indirectly borne through investments in underlying funds or managed accounts (e.g., investment advisory and operating expenses of registered investment companies and/or private funds in which the Funds and Series invest). SALI's Management Fees also do not include the fees that SALI charges the Funds or Series for administration and accounting services that it provides. These services are billed to the applicable Funds or Series at the approximate employee hourly cost without any mark up. These services may include initial organization costs for establishing a new Fund or Series. Additionally, SALI may pass through to the Funds or Series certain fees and expenses related to compliance consultants, costs of maintaining a Fund's or Series' affiliated investment adviser registration and compliance with applicable rules and regulations (including costs and fees associated with the filing of required regulatory filings such as Form PF), and the cost of liability insurance, including errors and omissions insurance and directors and officer liability insurance obtained on behalf of a Fund or Series, the General Partners, SALI and/or their associated persons. SALI and/or Subadvisors may enter into arrangements pursuant to which they compensate third parties/wholesalers for gathering assets for Funds or Series. Any fees charged to, or expense incurred by, SALI and/or a Subadvisor in connection with such arrangements will not be charged to the limited partners of the Funds or Series unless otherwise disclosed in the applicable Series Supplement.

The General Partner of the Funds has the authority to establish different Management Fees for different limited partnership interests in a Series. SALI, on its own behalf and/or on behalf of the Funds, may enter into a side letter or similar agreement with any limited partner to provide exceptions or departures from the provisions of the Offering Documents, including but not limited to the ability to change terms relating to liquidity or compensation. Any reduction in Management Fees is at the discretion of the General Partner. SALI may also reimburse selected Fund limited partners for initial and ongoing administrative expenses, which they may incur as limited partners in such Fund.

Withdrawal provisions for each Fund or Series are set out more particularly in the relevant Offering Documents. Generally, limited partners in the Funds will have the right to make a total or partial withdrawal from capital accounts on one (1) to one hundred and twenty (120) days' prior written notice to the General Partner after any lock up period has expired. Such withdrawals may be made daily, monthly, quarterly, semi-annually, or annually depending on the Fund or Series in which a limited partner has invested (a **"Withdrawal Date"**). The Funds reserve the right to pay such withdrawal to a limited partner net of any fees associated with the withdrawal. In the case of a complete withdrawal from a Fund, such Fund may impose a holdback of a portion of the estimated value of the Limited Partner's capital account as of the Withdrawal Date and/or otherwise distribute proceeds as assets are realized. The General Partner may, in its sole discretion, require a limited partner to retire from a Fund upon a certain number of days' written notice. Incentive compensation, if any, and a pro rata portion of the Management Fee will be paid by a limited partner in the event of a withdrawal/redemption prior to the end of the period upon which such fee is based.

For certain Funds or Series, the General Partner may reduce the amount of any withdrawal on a pro rata basis so that the total amount of withdrawals do not exceed a set percentage as outlined in the relevant Offering Documents. Also, in specific circumstances, accelerated liquidity upon the death of an insured on a Policy, withdrawals for Policy expenses and/or adjustments to permitted

exposure levels may be granted by the General Partner.

The beneficial owners of SALI-East, LLC, an owner of SALI, are also members of Winged Keel Group, Inc., an insurance and investment company. The members are compensated through that affiliation by selling products through that affiliation. Winged Keel Group, Inc. which provides financial security management services for institutions, affluent individuals, and families, is a member of M Financial Group, a network of select independent insurance, investment, and executive benefit firms dedicated to serving wealthy individuals and families, as well as corporations and privately owned businesses. The Principals of Winged Keel Group, Inc. are also associated with M Holdings Securities, Inc., a registered broker-dealer. In the capacity as registered personnel of M Holdings Securities, Inc., the Principals of Winged Keel Group, Inc. offer variable life insurance and annuities, mutual funds and general securities products to clients of Winged Keel Group, Inc.

SALI, its affiliates and employees may serve as investment manager and/or general partner to a number of client accounts (including private investment funds) (referred to as “**Client Accounts**”). Officers and employees of SALI may also engage in securities transactions for their own accounts, subject to SALI’s personal trading policies. SALI and its affiliates may give advice and take action with respect to any Client Account that may differ from advice given or the timing or nature of an action taken with respect to another Client Account. It is the policy of SALI, to the extent practicable, to allocate investment opportunities to its various Client Accounts over a period of time on a fair and equitable basis relative to other Client Accounts. SALI and its affiliates are not obligated to acquire for any Client Account any security that SALI or its managers, officers, employees or affiliates may acquire for its or their own accounts or for any other Client Accounts, if it is not practical or desirable to acquire a position in such security for a particular Client Account.

In an effort to mitigate such conflicts, SALI takes appropriate measures to assure that neither it nor any of its affiliates unfairly profit from any transaction between any such party and a Client Account. SALI uses its best efforts to apportion or allocate business opportunities among persons or entities to or with which it and its affiliates have fiduciary duties and other relationships on a basis that is fair and equitable to the maximum possible extent to each of such persons or entities.

SALI has adopted a written Code of Ethics that it reasonably believes complies with the requirements of Advisers Act Rule 204A-1. This Code is part of the SALI’s Compliance Manual. In addition to ensuring the protection of nonpublic information about the activities of its Advisor Clients, the Code of Ethics imposes personal transaction reporting obligations on SALI’s Access Persons. A copy of the Code of Ethics is available upon request.

SALI determines appropriate investment strategies, identifies and retains Subadvisors, and monitors the ongoing performance of the investments. Individual Subadvisors generally determine the actual investment portfolio held by each Series. Although SALI has the discretion to select specific investments and brokers, it generally delegates these discretionary powers to the Subadvisors.

SALI may enter into arrangement pursuant to which it compensates third parties for client and/or Fund investor referrals. In general, third party solicitors may receive a portion of the fees otherwise payable to SALI.

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

As stated in the Fees and Compensation section above, SALI charges performance-based fees which are fees based on a share of capital gains on or capital appreciation of the assets of an applicable Series.

The fact that SALI receives performance-based compensation may create an incentive for SALI to make investments on behalf of a Fund or Series that are riskier or more speculative than would be the case in the absence of such compensation. In addition, the performance-based fees received by SALI are based primarily on realized and unrealized gains and losses. As a result, the performance-based fees earned could be based on unrealized gains that the Series may never realize.

The fact that the performance-based compensation that SALI charges varies among Funds and Series may create an incentive for SALI to favor a Fund or Series for which it receives a performance-based fee or a higher performance-based fee. SALI attempts to address this potential conflict of interest by maintaining allocation policies and procedures designed to ensure that the Funds and Series are treated fairly over time.

As mentioned above, in nearly all cases SALI passes the entire performance-based fee on to its Subadvisors.

## **Types of Clients**

As discussed previously, SALI provides investment advice and administrative services to the Funds, which may issue a number of different Series. Limited partnership interests in a Fund are offered to prospective insurance company limited partners (each, a **“Company”**, and collectively, the **“Companies”**) or individual non-insurance limited partners (each a **“Taxable Limited Partner”**) through the taxable Funds. A Company’s investment in a Fund is typically on behalf of certain of their segregated separate accounts (the **“Accounts”**) which support variable life insurance and variable annuity contracts to be offered and issued by the Companies in private placements (collectively, the **“Policies”** and separately, a **“Policy”**).

The limited partnership interests are designed to be an investment option under the Policies. Companies that subscribe for interests pursuant to this offering will be limited partners in the Funds. Each owner of a Policy is a **“Policy Owner”** and collectively, the **“Policy Owners”**. Policy Owners are not limited partners in the Funds or Series and are not clients of SALI.

The limited partnership interests are also available to insurance dedicated partnerships which satisfy the requirements of Reg. sec. 817-5(f)(3).

Taxable Limited Partner interests will be offered to non-insurance limited partners who meet the required criteria as defined in the taxable Funds’ subscription application materials. The General Partner may, in its sole discretion, impose other eligibility requirements and accept or reject

subscriptions for partnership interests for any reason. The General Partner may, in its respective discretion, accept or reject subscriptions by the Partnership for interests in any Series.

Details concerning applicable suitability criteria are set forth in the respective Funds' and Series' Offering Documents. Each Series, in accordance with the pertinent Series Supplement, generally imposes a minimum initial investment requirement of at least \$500,000. Such thresholds may be waived in the sole discretion of the General Partner.

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

SALI determines appropriate investment strategies, identifies and retains Subadvisors, and monitors the ongoing performance of the investments. Generally, SALI Funds and Series invests with individual portfolio managers through investment partnerships, managed funds, registered open-end investment companies and other investment vehicles that invest or trade in primarily equity securities, but may not be restricted from trading in other securities. SALI utilizes Subadvisors to identify and monitor individual portfolio managers and determine allocations and specific investments.

SALI and/or Subadvisors may use proprietary analysis, contacts in the hedge fund industry, research, due diligence procedures, and on-site visits to identify individual portfolio managers.

An investment in a Fund or Series involves a high degree of risk, including the risk that the entire amount invested may be lost. The Funds allocate assets to portfolio managers and invest in portfolio investments that invest in and actively trade securities, exchange-traded and OTC derivatives, and other instruments using a variety of strategies and investment techniques with significant risk characteristics, including the risks arising from the volatility of the equity, fixed-income, commodity and currency markets, the risks of borrowings and short sales, the risks arising from leverage associated with trading in the equities, currencies, futures, and OTC derivatives markets, the illiquidity of investments in derivative instruments and the risk of loss from counterparty defaults. No guarantee or representation is made that a Series' or Fund's investment program will be successful. Leverage inherent in the types of underlying investments made by, and otherwise utilized by, the portfolio managers can, in certain circumstances, substantially increase the adverse impact to which the Series' or Funds' investment portfolios may be subject.

Because the investment strategies of the Funds and Series involve significant risk factors, the Funds and Series are suitable only for experienced and sophisticated investors who can bear the economic risk of the loss of their entire investment and who have limited need for liquidity in their investment.

Although SALI will seek to select only portfolio managers with the highest level of integrity, SALI's investment selection process cannot ensure that selected portfolio managers will perform as desired and SALI will have no direct control over the day-to-day operations of any of its selected Subadvisors and portfolio managers. SALI may not necessarily be aware of certain activities at the underlying Subadvisor and portfolio manager level, including without limitation a portfolio manager's engaging in unreported risks, investment "style drift," regulatory breaches or fraud. As a result, there can be no assurance that Subadvisors and portfolio managers selected by SALI will conform their conduct to the desired standards. There is a risk that underlying Subadvisors and

portfolio managers may suffer a complete failure as a result of poor performance, failure to raise assets, regulatory violations and enforcement actions, fraud or other factors, which in any case could result in a complete loss of a Fund's or Series' investment with such Subadvisor or portfolio manager. Investments with underlying portfolio managers carry additional risks including, but not limited to, lack of liquidity, ultimate lack of diversification, lack of transparency, reliance on portfolio managers for performance and valuation information, and dependence on key personnel risk. To mitigate these risks, SALI performs initial due diligence on Subadvisors and conducts ongoing and periodic oversight of Subadvisors.

Limited Partners should consider an investment in a Series or Fund as involving a high degree of financial risk and should therefore carefully consider all risk factors set forth in the relevant Offering Documents. Each prospective limited partner should carefully review Offering Documents, as applicable, before deciding to make an investment in a Fund or Series.

## **Disciplinary Information**

SALI and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a limited partner's evaluation of SALI or its personnel.

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

As noted above, Campbell Gerrish, Brent Kinetz, Matthew Phillips, Eric Naison-Phillips, Aaron Abrahms, Alexander Tuff and Rohit Dalmia are Principals of Winged Keel Group, Inc. which provides financial security management services for institutions, affluent individuals, and families. Winged Keel Group, Inc. is a member of M Financial Group, a network of insurance, investment, and executive benefit firms dedicated to serving wealthy individuals and families, as well as corporations and privately owned businesses. The Principals of Winged Keel Group, Inc. are also associated with M Holdings Securities, Inc., a registered broker-dealer. In their capacity as registered personnel of M Holdings Securities, Inc., the Principals of Winged Keel Group, Inc. offer variable life insurance and annuities, mutual funds and general securities products to clients of Winged Keel Group, Inc. Eric Naison-Phillips is also a board member of the Association for Advanced Life Underwriting (AALU). Michael Liebeskind is a withdrawn member of Winged Keel Group, Inc. and is associated with The Leaders Group, Inc., a registered broker-dealer. In his capacity as a registered personnel of The Leaders Group, Inc., Michael Liebeskind offers variable life insurance and annuities, mutual funds and general securities products to clients of Golconda Partners, LLC.

Clients of Winged Keel Group, Inc. are able to direct the accumulated value of certain life insurance/annuity products to the Funds or Series or to other non-affiliated investment funds through the insurance companies which hold their life insurance/annuity products.

Kevin Bhatt is a Partner at Long Ridge Capital Management, LP, a New York based private investment firm focused on financial services and business services. Long Ridge's current portfolio of investments includes: Ametros Financial Inc.; Avetta, LLC; Geracki Holdco, Inc. (Broadway Technology); Carson Holdings LLC; Equis Holding, Inc.; National Credit Holdings, LLC; Neighborhoods.com, LLC; NinjaTrader Group Holdings, LLC; ProcessUnity, Inc.; SALI; and Tradair Ltd. Mr. Bhatt serves on the boards of: Carson Holdings LLC; Equis Holding, Inc.; Geracki Holdco, Inc. (Broadway Technology); ProcessUnity, Inc. and SALI.



In his capacity as a Partner at Long Ridge Capital Management, LP, Mr. Bhatt serves as a Senior Member of the General Partner, Long Ridge Equity Partners, LLC, the General Partner of: Long Ridge Equity Partners I, LP; Long Ridge Equity Offshore Partners I, LP; Long Ridge Offshore Subsidiary Holdings, LLC; Carson Parallel Holdings, LLC; Long Ridge Offshore CH, Inc.; Long Ridge Offshore Carson Holdings, LLC. In addition, Mr. Bhatt serves as a Senior Partner of Long Ridge Equity Partners GP II, LP, the General Partner of: Long Ridge Equity Partners II, LP; Long Ridge Equity Partners II-B, LP; Long Ridge Parallel Broadway Holdings, LLC; Long Ridge SALI Offshore Investor, LLC; Long Ridge SALI Offshore Blocker, Inc.; Long Ridge Parallel ProcessUnity Holdings, LLC; Long Ridge NC Offshore Investor, LLC; Long Ridge NC Offshore Blocker, Inc.; Long Ridge NH Offshore Investor, LLC; Long Ridge NH Offshore Blocker, Inc.; Long Ridge Parallel NT Holdings, LLC; Long Ridge NT Offshore Investor, LLC; and Long Ridge NT Offshore Blocker, Inc. Mr. Bhatt also serves as a Member of Long Ridge Capital Management GP, LLC, the General Partner of Long Ridge Capital Management, LP, and serves as a Member of Long Ridge Equity Partners GP II, LLC, the General Partner of Long Ridge Equity Partners GP II, LP.

Dilip Patel is a Partner and founder of Brick & Patel, LLP, a New York law firm, where his practice focuses on estate planning and related tax advice, estate and trust administration, asset protection planning, succession planning for businesses and charitable planning. Mr. Patel also serves as general counsel to many of his domestic and offshore clients where he advises them on a broad range of areas including corporate, tax, employment and family law.

Karen Halliday is the founder of Dalkeith Group, LLC., a New York-based consulting firm (“**Dalkeith**”). Dalkeith supports the implementation of private investments by leveraging knowledge of investment structures, their underlying strategies, and the needs of investors. Prior to forming Dalkeith, Ms. Halliday was Head of Tax Efficient Strategies at private investment manager Golub Capital.

In an effort to mitigate potential conflicts associated with these arrangements, SALI takes appropriate measures to assure that neither it nor any of its affiliates unfairly profit from any transaction involving a client Account. SALI uses its best efforts to apportion or allocate business opportunities among persons or entities to or with which it and its affiliates have fiduciary duties on a basis that is fair and equitable to the maximum possible extent to each of such persons or entities.

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

SALI, its affiliates, and their employees serve as investment manager and/or general partner to a number of Funds. Employees of SALI may also engage in securities transactions for their own accounts, subject to SALI’s personal trading policies. SALI and its affiliates may give advice and take action with respect to any Fund or Series that may differ from advice given or the timing or nature of an action taken with respect to another Fund or Series. It is the policy of SALI, to the extent practicable, to allocate investment opportunities to the Funds and Series over a period of time on a fair and equitable basis relative to other Funds and Series. SALI and its affiliates are not obligated to acquire for any Fund or Series any security that SALI or its managers, officers,

employees or affiliates may acquire for its or their own accounts of for any other Fund or Series, if it is not practical or desirable to acquire a position in such security for a particular Fund or Series.

In an effort to mitigate such conflicts associated with access persons' personal trading activities, SALI takes appropriate measures to assure that neither it nor any of its affiliates unfairly profit from any transaction involving a Fund or Series. SALI uses its best efforts to apportion or allocate business opportunities among persons or entities to or with which it and its affiliates have fiduciary duties on a basis that is fair and equitable to the maximum possible extent to each of such persons or entities.

SALI has adopted a written Code of Ethics that it reasonably believes complies with the requirements of Rule 204A-1 under the Investment Advisers Act of 1940. This Code is part of SALI's Compliance Manual. In addition to ensuring the protection of nonpublic information about the activities of the Funds, the Code of Ethics imposes personal transaction reporting obligations on SALI's Access Persons. A copy of the Code of Ethics is available upon request.

As discussed previously, affiliated entities of SALI serve as the General Partner of the Funds.

Certain employees and related persons of SALI, directly or through a holding company or investment vehicle, have an interest in the Funds and therefore indirectly participate in the capital appreciation of the Funds as well. Such related persons of SALI are not, however, subject to the management fee or performance-based compensation paid to SALI.

Limited Partners may obtain a copy of SALI's Code of Ethics by contacting Chi Chang by telephone at (512) 735-7254.

## **Brokerage Practices**

SALI determines appropriate investment strategies, identifies and retains Subadvisors, and monitors the ongoing performance of Fund and Series investments. Individual Subadvisors determine the actual investment portfolio held by each Series. They also generally determine the broker-dealers used to execute transactions.

With respect to the Funds and Series, the investment securities purchased and sold are principally purchased and sold through brokerage firms. SALI does not typically choose the broker or dealer through which each purchase or sale of securities is made. On occasion, some Subadvisors may direct SALI to place transactions in publicly traded securities with specific broker-dealers. As a result of such practice, SALI may be unable to achieve best execution. If SALI exercises its discretion to select brokers and/or individual securities, it will seek to achieve best execution.

Some portfolio managers may allocate portfolio transactions to brokers in consideration of such brokers' provision of, or payment of the cost of, certain services that are of benefit to the underlying fund or managed account and/or other clients of that portfolio manager. In such circumstances, portfolio transactions for the underlying fund or managed account are usually allocated to brokers in consideration of such factors as price, the ability of the brokers to effect the transactions, the brokers' facilities, reliability and financial responsibility, and any research or investment management-related services and equipment provided by such brokers. Accordingly,

if a portfolio manager determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and research or investment management-related services and equipment provided by such broker, the underlying fund or managed account may pay commissions to such broker in an amount greater than the amount another broker might charge.

Research or investment management-related services and equipment provided by brokers through which portfolio transactions for an underlying fund or managed account are executed, settled and cleared may include research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities, on-line quotation systems, news and research services and other services (e.g., computer and telecommunications equipment) providing lawful and appropriate assistance to the portfolio managers (collectively “soft dollar items”).

Soft dollar items may be provided directly by brokers, by third parties at the direction of brokers, or purchased by the underlying fund or managed account with credits or rebates provided by brokers. Soft dollar items may arise from over-the-counter principal transactions, as well as exchange traded agency transactions. Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. Actual brokerage business received by any broker may be less than the suggested allocations, but can (and often does) exceed the suggestions, because total brokerage is allocated on the basis of all the considerations described above.

Underlying funds or managed accounts may use soft dollar items in certain circumstances, provided that an underlying fund or managed account does not pay a rate of commissions in excess of what is competitively available from comparable brokerage firms for comparable services, taking into account various factors, including commission rates, financial responsibility and strength and ability of the broker to efficiently execute transactions. Non-research products acquired by underlying funds or managed accounts through the use of “soft dollars” are outside the parameters of Section 28(e)’s “safe harbor,” as are transactions effected in futures, currencies or certain derivatives. Certain soft dollar items received by the underlying funds or managed accounts may be permitted in some cases outside the “safe harbor” of Section 28(e) under the specific authority of an underlying fund’s or managed account’s partnership agreement or similar governing instrument.

Brokers may also solicit or refer limited partners to invest in underlying funds or accounts managed by underlying portfolio managers. The availability of these benefits may create a conflict of interest for portfolio managers with respect to selecting one broker rather than another to perform services for the Funds. Portfolio managers are expected to use their best efforts to assure either that the fees and costs for services provided to the Funds by such brokers are reasonable in relation to the fees and costs charged by other equally capable brokers not offering such services or that the Funds also will benefit from the services. The receipt by portfolio managers of these benefits might increase brokerage expenses.

Given the nature of SALI’s investment strategies, SALI generally does not aggregate subscriptions to or redemptions from underlying funds, or purchases or sales of any other securities, for the Funds or Series. The Funds’ or Series’ underlying portfolio managers may or may not aggregate

purchases or sales of securities for the Funds or Series and other accounts under their management pursuant to their own individual policies and procedures, as applicable.

As previously discussed in the Fees and Compensation section, SALI, on its own behalf and/or on behalf of the Funds or Series, may enter into a side letter or similar agreement with any limited partner to provide exceptions or departures from the provisions of the governing documents, including but not limited to the ability to change terms relating to liquidity or compensation. SALI may also provide greater levels of portfolio transparency on some Funds or Series than others. Transparency might also be provided to a Company or Companies on a confidential/do not distribute basis.

## **Review of Accounts**

Client assets are reviewed continuously by the Subadvisors hired by SALI. SALI performs accounting functions related to the Funds and Series and continuously monitors Fund and Series portfolios to ensure consistency with investment mandates. SALI has multiple teams established to monitor and oversee the daily activities of the business. These teams include Accounting, Audit, Compliance, Due Diligence, Fund Development, Client Relations and Operations.

Limited Partners will be provided with written unaudited reports on a monthly and/or quarterly basis setting forth performance data and net asset values of their capital account. Limited Partners will also be provided with copies of written, audited financial reports once available.

As previously discussed in the Brokerage Practices section, SALI may also provide greater levels of portfolio transparency on some Series of the Funds than others. Transparency might also be provided to a Company or Companies on a confidential/do not distribute basis.

## **Client Referrals and Other Compensation**

The SALI-East, LLC beneficial owners, in their capacity as Registered Representatives of M Holdings Securities, Inc., earn commissions through sales of securities products. While a client may maintain a brokerage account and an investment advisory account through M Holdings Securities, Inc., in no event will commission and advisory fees be charged on the same account. The Funds and Series are not clients of M Holdings Securities, Inc.

SALI may enter into arrangements pursuant to which it compensates third parties for limited partner referrals. In accordance, third party solicitors may receive a portion of the fees otherwise payable to SALI.

## **Custody**

Generally, Fund assets are held in custody by “qualified custodians” in accordance with Rule 206(4)-2 under the Investment Advisers Act of 1940. However, SALI has access to Fund assets since an affiliate serves as the General Partner to the Funds. SALI will use its best efforts to distribute to limited partners, at least annually, audited financial statements prepared by a PCAOB registered and inspected independent public accountant in accordance with GAAP for the pertinent Fund or Series within 120 days or 180 days, as applicable, of the end of the fiscal year of the pertinent Fund or Series.

If SALI is unable to rely upon the “audit approach” to comply with Rule 206(4)-2, SALI will form a reasonable basis, after “due inquiry,” that each of the Fund’s or Series’ qualified custodian(s) sends an account statement at least quarterly to each such limited partner identifying the amount of funds and each security held by the Fund or Series at the end of the period and setting forth all Fund or Series cash and security portfolio transactions during the period. Limited partners should carefully review such statements. Also, limited partners are urged to compare the account statements they receive from the qualified custodians with those they receive from SALI.

For Funds or Series with regard to which SALI has opted to comply with Rule 206(4)-2 by the qualified custodian(s) sending Fund or Series level holding and activity statements to limited partners, SALI will comply with additional applicable requirements of the rule, including making arrangements for a “surprise audit” of each such Fund or Series by an independent accountant as prescribed by paragraph (a)(4) of Rule 206(4)-2.

## **Investment Discretion**

With respect to the Funds and Series, SALI has discretionary authority to determine appropriate investment strategies, identify and retain Subadvisors, and monitor the ongoing performance of Fund and Series investments. Individual Subadvisors determine the actual investment portfolio held by each Series.

## **Voting Client Securities**

SALI has adopted a set of procedures outlining how proxies relating to both publicly-traded portfolio investments and underlying private investment funds will be voted. Generally, SALI delegates voting responsibility for proxies to the Subadvisors for Funds and Series, except in limited circumstances where a Subadvisor is restricted from voting a proxy. When SALI is responsible for voting a proxy, SALI shall determine (which may be based upon the advice of external lawyers or accountants) whether a proposal is in the best interest of affected Funds or Series. SALI may abstain from voting a proxy if it determines it lacks sufficient information to make such determination.

Limited partners may obtain a copy of SALI’s proxy voting policies and procedures and/or detailed information about how proxies are actually voted by contacting Chi Chang by telephone at (512) 735-7254.

## **Financial Information**

SALI has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.

## **Cybersecurity**

SALI and its service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users as well as unintentional damage or interruption that, in either case, can result in damage or interruption from computer viruses, network failures, computer and

telecommunications failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. A cybersecurity breach could expose both SALI and the Funds to substantial costs (including, without limitation, those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage), civil liability as well as regulatory inquiry and/or action. In addition, any such breach could cause substantial withdrawals from a Fund. While SALI has established a business continuity plan in the event of, and risk management strategies, systems, policies and procedures to seek to prevent, cybersecurity breaches, there are inherent limitations in such plans, strategies, systems, policies and procedures including the possibility that certain risks have not been identified. Furthermore, SALI, and the Funds cannot control the cybersecurity plans, strategies, systems, policies and procedures put in place by other service providers to the Funds and/or the issuers in which the Funds invests.