

## **PART 2A OF FORM ADV: FIRM BROCHURE**



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Capricorn Management, LLC

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**March 30, 2012**

**This brochure provides information about the qualifications and business practices of Capricorn Investment Group, LLC, Capricorn Advisers, LLC and Capricorn Management, LLC. If you have any questions about the contents of this brochure, please contact us at (650) 331-8861 or [eric@capricornllc.com](mailto:eric@capricornllc.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 Capricorn Investment Group, LLC, Capricorn Advisers, LLC and Capricorn Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Capricorn Investment Group, LLC, Capricorn Advisers, LLC or Capricorn Management, LLC may refer to itself as a "Registered Investment Adviser" from time to time and it should be noted that such references to being "registered," does not imply a certain level of skill or training.**

## **ITEM 2 – MATERIAL CHANGES**

The following material changes have been made to this Brochure since the last annual amendment filed on March 30, 2011. This Brochure has been updated to reflect the:

1. launch of Capricorn Healthcare and Special Opportunities Fund (“CHSO”), a new private fund managed by Capricorn Investment Group, LLC to Item 4, Item 5, Item 10 and Item 8; and
2. designation of Eric Techel as the Chief Compliance Officer of Capricorn.

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## **ITEM 4 – ADVISORY BUSINESS**

### **A. Overview of Capricorn Investment Group, LLC**

This Brochure provides information for three investment advisers, as detailed below, (i) Capricorn Investment Group, LLC; (ii) Capricorn Advisers, LLC; and (iii) Capricorn Management, LLC.

Capricorn Investment Group, LLC, a Delaware limited liability company (“Capricorn”), manages the assets of high-net worth individuals, trust accounts and tax-exempt foundations. Capricorn is registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Capricorn seeks to generate equity-like returns by investing in a diversified global portfolio of leading private funds and making proprietary direct investments with limited permanent capital loss risk at the portfolio level. Capricorn implements a scenario-based and mean variance approach to guide capital allocation and risk management for its clients. Capricorn’s vision is to provide: (1) consistently strong investment performance and risk management, (2) truly independent investment services and (3) a principled investment approach. Capricorn believes that achieving superior investment returns does not preclude a principled investment approach, meaning that Capricorn’s people, processes and underlying investments seek to be of uncompromising quality, aligned with the interests of its clients, ethical, fair, long-term oriented and not directly harmful to our world or people.

Capricorn provides its advisory services in conjunction with a wholly-owned subsidiary, Capricorn Advisers, LLC, a Delaware limited liability company (“Capricorn Advisers”) with its principal place of business in New York City. Capricorn has entered into a services agreement with this subsidiary pursuant to which they provide Capricorn with investment advice and other services in exchange for a portion of the Management Fee (as defined below) paid with respect to Capricorn clients’ investments.

Capricorn Investment Group, LLC was established in April of 2007 to continue the business of Capricorn Management, LLC. Capricorn Management, LLC commenced business in 2001 as a family office for Capricorn’s anchor client.

The principal owner of Capricorn is a limited liability company that is owned by the Jeffrey S. Skoll Revocable Trust. It should be noted that there are other under 25% owners of Capricorn that are fully disclosed in Schedule A of Capricorn’s ADV Part 1. On a day-to-day basis, Capricorn is run by the following people:

- Stephen J. George, CFA, Chief Investment Officer, Managing Principal and Member; and
- Dr. Ion Yadigaroglu, Managing Principal and Member.

### **B. Advisory Services**

At the present, Capricorn provides manages the advisory programs below. It should be noted that Capricorn may engage in other advisory services such as providing portfolio reviewing/consulting services, strategic advisor and manager seeding services in the future and will update this Brochure when it commences activities in those areas.

### **The Discretionary Client Program**

Capricorn allocates and manages its discretionary clients' assets (each a "**discretionary client**") through a multi-tiered structure of limited partnerships and other investment entities ("**Discretionary Client Program**"). Any investor accepted as a client by Capricorn must be a discretionary client, and will participate in the Discretionary Client Program. Under the Discretionary Client Program, Capricorn creates a separate Delaware limited partnership for each of its U.S. discretionary clients in which the client's assets are invested (each an "**Investor Holding Partnership**" or "**IHP**"). For each non-U.S. discretionary client, Capricorn creates a Cayman Islands limited partnership into which the non-U.S. client's assets are invested (each a "**Cayman Partnership**"). Each Cayman Partnership invests in an individual Delaware limited partnership created specifically for that Cayman Partnership (also an "**IHP**"). Capricorn serves as the general partner of each IHP and Cayman Partnership. Each IHP will invest its assets in a number of Delaware limited partnerships for which Capricorn serves as general partner and that invest pursuant to a specific strategy or asset class (each an "**Asset Investment Pool**" or "**AIP**") or in a set of underlying funds, direct investments, co-investment opportunities and other opportunities. It should also be noted that, for certain non-US clients, Capricorn has set up a structure similar to the IHP and AIP structure outlined above (with the primary vehicle being a Luxembourg SICAV) to make Underlying Investments (as defined below). This is not done through investments in the IHPs or AIPs. As applicable, references to IHPs and AIPs in this ADV should also include references to the activities of the Luxembourg SICAV. Each AIP will invest its assets in a set of underlying funds, direct investments, co-investment opportunities and other opportunities (collectively "Underlying Investments"). Certain IHPs may also invest directly or indirectly in private investment vehicles that are sponsored and/or managed by Virgo Investment Group LLC ("**VIG**"). Capricorn retains the authority to approve the investments made by the VIG funds. Pursuant to an agreement between Capricorn and VIG, Capricorn receives a portion of VIG's revenues other than fees and revenue with respect to Capricorn clients. Please note that there are a number of conflicts of interests related to VIG. Please see the disclosure related to those conflicts in Item 10 below.

### **Non-Discretionary Legacy Program**

In addition to its discretionary clients, Capricorn provides non-discretionary investment advice and management services to a single high net-worth client that is a control person of Capricorn (the "Individual Client") and several non-taxable entities the Individual Client created (the "Non-Taxable Entities"). The Individual Client's assets are invested through a series of entities ultimately controlled by an entity wholly-owned by the Individual Client (the "Individual Management Entity"). Capricorn is a non-managing member of, and has entered into a non-discretionary investment advisory services agreement (the "Advisory Agreement") with an indirect subsidiary of the Individual Management Entity (the "Advisory Subsidiary"); Capricorn is also a non-managing member of the Advisory Subsidiary. Pursuant to the Advisory Agreement, Capricorn provides investment advice with respect to the investment of the Individual Client's assets, but the Individual Management Entity retains the authority to approve or disapprove of any investment recommendation provided by Capricorn on behalf of the Individual Client. The Individual Management Entity, as a wholly-owned entity acting as a surrogate for the Individual Client, is not registered as an investment adviser.

The Individual Client's and the Non-Taxable Entities' assets are not invested through the AIPs, but instead invest directly in Underlying Funds, often alongside the AIPs.

No new clients' assets will be managed pursuant to or under the Non-Discretionary Legacy Program.

### **Capricorn Healthcare and Special Opportunities Fund ("CHSO")**

In addition to the programs described above, Capricorn acts as investment adviser to CHSO which make investments in the healthcare and wellness sector. CHSO consists of two private funds organized in a master feeder structure (the "Funds"). An affiliate of Capricorn serves as the general partner of CHSO. The principal of CHSO is Barry Uphoff. Conflicts relating to CHSO are discussed in Item 10 below.

### **Employee Funds**

In addition, qualifying officers and employees of Capricorn may invest in an entity created by Capricorn and for which Capricorn serves as general partner (the "**Employee IHP Fund**"). The Employee IHP Fund will invest in the AIPs alongside the IHPs, and will not pay management fees or make an incentive allocation to Capricorn.

Qualifying officers and employees of Capricorn also invest in a partnership that invests alongside the Individual Client with respect to certain direct investments (the "**Individual Alongside Fund**").

For a discussion of the potential conflicts of interest facing Capricorn in its management of the Discretionary Client Program, the Non-Discretionary Legacy Program and the Employee Funds, see Item 10 of this ADV Part 2A below.

### **C. Tailoring of Advisory Services**

As noted elsewhere in this Brochure, Capricorn offers discretionary and non-discretionary advisory services and, as such, does tailor its advisory services to the needs of clients. In addition (and as described in Item 8 below), it should be noted that Capricorn does work with IHPs to develop an asset allocation strategy for each IHP and this asset allocation serves as one of the focal points of the Discretionary Client Program.

Clients may impose restrictions on investing in certain securities or types of securities.

### **D. Wrap Fee Programs**

Not applicable to Capricorn. Capricorn does not participate in wrap fee programs.

### **E. Assets Under Management**

Capricorn manages \$3,615,733,517 on a non-discretionary basis and \$365,531,862 on a discretionary basis.

## **ITEM 5 – FEES AND COMPENSATION**

### **A. Compensation and Fee Schedule**

All clients of Capricorn (including investors in the IHPs and in CHSO) are required to be qualified purchasers as defined in Section 2(a)(51) (A) of the Investment Company Act of 1940, as amended. Detailed information with respect to how Capricorn is compensated for the advisory services Capricorn provides to its clients is contained in the operative documents for each IHP and the advisory contracts for the clients. Prospective investors should carefully review the operative documents for the relevant investing vehicle prior to making an investment and/or retaining Capricorn as an investment adviser.

It should be noted that fees are negotiable in that Capricorn may waive (in whole or in part) the fees paid by any client and may enter into different fee agreements with different clients.

Neither Capricorn or its supervised persons accept compensation for the sales of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

### **B. Deduction of Fees**

Capricorn deducts fees from its clients' assets. Capricorn management fees are calculated and recorded in the last month of each calendar quarter. Capricorn incentive allocation, if applicable, is calculated and recorded annually. Other expenses are generally calculated and recorded as incurred.

### **C. Fees and Expenses**

#### **Fees and Expenses of the Discretionary Client Program and the Non-Discretionary Legacy Program**

Except as described below, as an investor in some or all of the AIPs, the IHPs, and in turn each Client, will bear its share of the expenses of such AIPs (and, thus, its share of the expenses of the underlying funds). With respect to each AIP, each IHP will bear its share of all direct costs and expenses incurred in the holding, purchase, sale or exchange of securities held by such AIP (whether or not ultimately consummated), including, but not by way of limitation, organizational expenses, private placement fees, finder's fees, interest on borrowed money, real property or personal property taxes on investments, brokerage fees, legal fees, audit and accounting fees, taxes applicable to such AIP on account of its operations, fees incurred in connection with the maintenance of bank or custodian accounts, and all expenses incurred in connection with the registration of securities held by such AIP under applicable securities laws or regulations. Each IHO will also bear its share of expenses incurred by the general partner of such AIP in serving as the tax matters partner, the cost of liability and other insurance premiums, all out-of-pocket expenses of preparing and distributing reports to the investors in such AIP, record-keeping fees and expenses, out-of-pocket costs associated with AIP meetings, all legal and accounting fees relating to the AIP and its activities, all costs and expenses arising out of the AIP's indemnification obligations, and all expenses that are not normal operating expenses of the AIP.

Each IHP, and in turn each Client, will bear all direct costs and expenses incurred in the holding, purchase, sale or exchange of a IHP investments (whether or not ultimately consummated), including, but not by way of limitation, organizational expenses, private placement fees, finder's fees, interest on borrowed money, real property or personal property taxes on investments, brokerage fees, legal fees, audit and accounting fees, taxes applicable to each IHP on account of its operations, fees incurred in connection with the maintenance of bank or custodian accounts, and all expenses incurred in connection with the registration of securities held by the IHP under applicable securities laws or regulations. Each IHP will also bear all expenses incurred by Capricorn (or an affiliate) in serving as the tax matters partner, the cost of liability and other insurance premiums for each IHP, Capricorn (or an affiliated) and Capricorn's employees, officers, managers and directors, all out-of-pocket expenses of preparing and distributing reports, record-keeping fees and expenses, out-of-pocket costs associated with IHP meetings, all legal and accounting fees relating to each IHP and its activities, all costs and expenses arising out of each IHP's indemnification obligations, and all expenses that are not normal operating expenses incurred in connection with the management of each IHP

As each IHP will be required to cover brokerage-related expenses, please see Item 12 below.

#### **CHSO**

In general, CHSO is responsible for (a) all direct expenses of forming, operating and dissolving the funds and (b) all direct expenses of any investment by CHSO. In general, the Partnership is not responsible for (a) overhead expenses of the general partner or Capricorn or (b) expenses associated with a potential investment by CHSO that does not result in an actual investment by CHSO.

CHSO does not anticipate incurring brokerage-related expenses, please see Item 12 below.

#### **D. Prepayment of Fees**

Capricorn's discretionary clients do not pay fees in advance. Fees for any clients in the Discretionary Client Program are paid in arrears.

With respect to the clients in the Non-Discretionary Legacy Program, a portion of the fees are paid in advance (which is fully disclosed in the documents governing such clients) and if an advisory contract is terminated before the end of a billing period, the amount of the fee paid in advance will be pro-rated and rebated.

With respect to CHSO the management fee is paid quarterly in advance. Typically limited partners cannot withdraw from CHSO prior to the termination of CHSO, as such Limited partners are not entitled to a refund of the management fee.



## **ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

At the present, Capricorn receives performance-based compensation from all of its clients. Capricorn does not manage any client accounts that do not impose performance-based compensation.

Capricorn's performance-based compensation creates a potential conflict of interest in that it may create an incentive for Capricorn to make more speculative investments than it might otherwise make. It should be noted that investors are provided with clear disclosure as to the risks associated with the payment of such performance-based compensation.

There are other significant risks related to the management of multiple client accounts, please see the response to Item 11 for a description of some of those risks.

## **ITEM 7 – TYPES OF CLIENTS**

As described in Item 4B above, Capricorn (as of the date of this ADV Part 2A) solely provides investment advisory services to the clients comprising the Discretionary Client Program, Non-Discretionary Legacy Program, and CHSO operated by Capricorn. Clients of Capricorn (including investors in the IHPs) must be sophisticated in financial matters and be qualified purchasers as defined in Section 2(a)(51) of the Investment Company Act of 1940. Capricorn does not impose a minimum account size for client accounts.

## **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **A. Method of Analysis and Investment Strategies**

#### **CHSO**

CHSO maintains a broad investment mandate that provides the team the flexibility to tailor transactions to best suit the needs of target companies. CHSO can invest throughout the capital structure in either equity or debt securities, and can take either control or shared-control positions. Moreover, after making an investment, CHSO will provide its portfolio companies with specific resources, such as access to industry experts and other senior executives within similar fields of the healthcare industry, designed to enhance operating efficiency and financial performance. Furthermore, the CHSO team will seek to maximize value creation upon exit of an investment by exploring multiple strategic alternatives including sales to both strategic and financial buyers, as well as public market offerings. The team believes that this combination of factors, coupled with a patient and disciplined approach to investing, will allow CHSO to capitalize upon the unique opportunities within the healthcare and wellness sector.

#### **Fees and Expenses of the Discretionary Client Program and the Non-Discretionary Legacy Program**

The following primarily relates to the discretionary investing activities engaged in by Capricorn. The method of analysis and investment strategies used in formulating advice for Capricorn's Non-Discretionary Legacy Program are the same, but the decision whether an investment is actually made is determined by the clients of the Non-Discretionary Legacy Program. At the outset, it should be noted that the investment strategies pursued by Capricorn involve significant risks, including the risk of total loss. It should also be noted that certain of the investments made by Capricorn are very illiquid and clients should be ready to deal with such illiquidity. Capricorn's investment strategies are designed for sophisticated investors.

Capricorn's principal objective in managing client assets is to construct and manage an investment portfolio oriented toward long-term capital appreciation. The basic elements underpinning this objective include the following:

- Developing, in conjunction with the client, a strategic asset allocation strategy for the client which will guide the client's allocations among a variety of asset classes and investment strategies;
- Implementing the client's asset allocation strategy by constructing and actively managing a portfolio of investments across one or more asset classes
- Constructing and actively managing a portfolio for each AIP that is expected to be generally consistent with such AIP's investment objectives.

Capricorn employs a scenario-based model to determine the appropriate long-term strategic asset allocation for each client. This approach also incorporates the risk, return, and liquidity parameters of the client, as well as Capricorn's subjective investment perspectives on future opportunities. It is important to note that the asset allocation strategies are long-term targets and not expected, due to the time required for investment ramp-up, asset valuation volatility, the

natural flows of capital and other factors, to be fixed or static at the target levels. Rather, these strategic targets will function as objectives guiding the overall portfolio exposures. Capricorn's investment strategy provides diversified exposure to the following asset classes. Capricorn expects to modify this list of investment strategies as necessary from time to time.

- Cash
- Fixed income
- Credit investments
- Global public equities
- Hedge funds
- Private equity & venture capital
- Natural resources
- Real Estate & infrastructure
- Hard assets

### **Selection of Underlying Investments**

Capricorn will conduct sourcing, due diligence, and selection of the underlying funds and/or direct investments (collectively "Underlying Investments"), and monitor and manage such selections across asset classes on an ongoing basis. The ultimate number of Underlying Investments will be determined in the discretion of Capricorn. Capricorn will seek to have an adequate level of diversification among the Underlying Investments while maintaining enough concentration to achieve the client's investment objectives. The objective of the investment analysis process is to select a set of investments that assist in meeting the overall investment objective of long-term capital growth.

Capricorn intends to follow a comprehensive investment selection process. In general, the selection process begins by assessing a wide variety of investment funds across the various investment strategies. A high number of investments are rejected at an initial high-level review, if they do not meet Capricorn's quality standards or the prevailing strategic framework. Investment opportunities that are deemed a potential fit with the investment objectives are then subject to a due diligence and review process, during which additional research is performed on the investment opportunity. Many investment opportunities are rejected at this stage, and do not proceed past the comprehensive due diligence period. Investment opportunities that are not rejected move to a final phase of due diligence, which is the final step toward investment. The objective of the investment analysis process is to select a set of investments that assist in meeting the overall investment objective of long-term capital growth.

### **Risk Management**

Capricorn intends to follow a rigorous program to seek to manage investment risks. Overall, managing risks in an investment portfolio begins with a quality sourcing, due diligence and selection process with the objective of having a diversified portfolio of Underlying Investments. Once investments are executed, Capricorn uses a series of portfolio reporting and management systems and tools to track investments against expectations and reviews a range of return and risk analyses on a regular basis. As part of the risk management process, Capricorn monitors allocations across the Underlying Investments, and allocations across other categories including geographies and industries. A series of regular internal reports are provided by the investment operations team and reviewed frequently by the Chief Investment Officer. Capricorn seeks regular interactions

with representatives from Underlying Investments, which include in-person meetings and teleconferences.

**B. Risk Factors**

Capricorn is of the view that all of the investment strategies used by Capricorn are subject to significant risks and are meant for financially sophisticated clients and investors. These risks include the risk of total loss as well as risks related to making illiquid investments. Clients should not retain Capricorn as an investment adviser unless there are able to bear these risks and are able to sustain long periods of illiquidity with respect to the investment made by Capricorn and in funds managed by Capricorn.

As noted above, all discretionary Clients of Capricorn presently access Capricorn's investment strategies through an investment in an IHP or through the private funds that comprise CHSO. IHPs then make investments either directly or in an AIP, and the AIPs make investments primarily in underlying funds, direct investments, co-investment opportunities and other opportunities. A significant portion of these investments, and the investments of CHSO, tend to be with privately-placed vehicles with significant liquidity constraints. Clients need to be ready to bear their investments for an extended period of time

All clients in Capricorn's Discretionary Client Program and CHSO are provided with very detailed risk disclosures in the offering documents provided to such clients prior to making an investment with Capricorn. Those offering document also contain all details related to liquidity terms. Those risk disclosures and liquidity terms should be carefully reviewed prior to making an investment to be managed by Capricorn. If you have any further questions about this, please contact Capricorn's Chief Compliance Officer.

## **ITEM 9 – DISCIPLINARY INFORMATION**

Capricorn has experienced no legal or disciplinary events that are material a client's or prospective client's evaluation of Capricorn or the integrity of its management.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

- A.** Capricorn and its management persons are not registered and do not have an application pending to register as a broker-dealer, a registered representative of a broker-dealer.
- B.** Capricorn and its management persons are not registered and do not have an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.
- C. Material Relationships**

As stated above, Capricorn has entered into services agreements with a wholly-owned subsidiary, Capricorn Advisers, pursuant to which it will provide investment advice to Capricorn. Certain employees of Capricorn Advisers are officers, and members of Capricorn. Additionally, as noted above, certain clients may also invest directly or indirectly in entities sponsored and/or managed by VIG. VIG currently operates out of Capricorn's offices, and Capricorn is entitled to a portion of VIG's revenues other than fees and revenue with respect to Capricorn clients. The fact that Capricorn and VIG pursue distinct investment strategies with minimal overlap mitigates any potential conflict inherent in this relationship.

Notwithstanding the above, Barry Uphoff ("Barry") is a co-founder of VIG. Barry currently serves in an active advisory capacity at VIG with a focus on sourcing and analysis of healthcare credit opportunities and also serves on VIG's investment committee. Barry is also a principal of CHSO and is a managing principal of Capricorn. Actual or potential conflicts of interest could result from Barry's position as a principal of CHSO and Capricorn and his role at VIG. The CHSO funds may be in competition with the VIG Funds for investment opportunities, thus some opportunities that might have been allocated to CHSO could be allocated to VIG. In addition, Barry may be restricted by VIG's Code of Ethics from using confidential information he obtains in connection with his role at VIG that could otherwise have been used for the benefit of CHSO. Further Barry may spend a significant amount of time performing investment advisory services with respect to CHSO and VIG which could be conflict with his fiduciary obligations.

Capricorn and VIG have formed a joint venture, Virgo Investment Societas, LLC ("**VIS**"), which is in the process of registering as an investment adviser. Certain employees, officers and investment committee members of Capricorn serve on the investment committee of VIS. Capricorn is entitled to 50% of the fees paid to VIS by VIS' clients. None of Capricorn's clients will be clients of VIS. That being said, Capricorn clients make investments in entities sponsored by VIG and this should be seen as a conflict of interest.

Additionally, Capricorn provides certain non-discretionary investment advisory services to the Individual Client pursuant to the Advisory Agreement. The Individual Management Entity is a wholly-owned entity controlled by the Individual Client through certain managers that include certain officers and executives of Capricorn. Capricorn is 50% owned by an entity that itself is wholly-owned by a trust under the control of the Individual Client. The wholly-owned entity holds 50% of the voting authority of Capricorn.

**D. Selection of Other Advisers**

As noted above (and in addition to the relationship related to VIS noted in response to Item 10.C), Capricorn clients may also invest directly or indirectly in entities sponsored and/or managed by VIG. Pursuant to an agreement between Capricorn and VIG, Capricorn receives a portion of VIG's revenues other than fees and revenue with respect to Capricorn clients. Capricorn may enter into additional relationships with other investment managers similar to the relationship with VIG. Capricorn is of the view that this does create a conflict of interest and Capricorn addresses this risk by providing disclosure to all clients about these conflicts in this Form ADV Part 2A. If you have any questions about these conflicts, please contact Capricorn's Chief Compliance Officer.



## **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **A. Code of Ethics**

Capricorn and Capricorn Advisers have jointly adopted a Code of Ethics (“**Code of Ethics**”) that sets forth the standards of conduct expected of its officers, managers and employees. The Code of Ethics requires each entity’s personnel to report their personal securities holdings and transactions and requires the Chief Compliance Officer to pre-approve certain investments. Capricorn and Capricorn Advisers, is required to keep copies of the Code of Ethics and records relating to the Code of Ethics. Capricorn and Capricorn Advisers personnel are required to submit an annual report of brokerage accounts and holdings along with an annual acknowledgement and certification stating that the individual will comply with the Code of Ethics. In addition, personnel are required to submit quarterly transaction reports (or brokerage statements in lieu of such reports) that detail the individual’s securities transactions for the quarter.

All employees, managers and officers of Capricorn and Capricorn Advisers must comply with the Code of Ethics. The Code of Ethics states that personnel owe a duty of loyalty to Capricorn’s clients, requiring personnel to act for the best interests of the clients. In addition, personnel must avoid actions or activities that allow (or appear to allow) them or their family members to profit or benefit from their relationships with Capricorn and Capricorn Advisers, their affiliates and their clients. The Code of Ethics also contains policies involving the safeguarding of proprietary and non-public information by Capricorn’s and Capricorn Advisers’ personnel along with restrictions on the use of insider information and the use of non-public information regarding a client.

The Chief Compliance Officer is required to report issues that arise under the Code of Ethics with respect to Capricorn and Capricorn Advisers, to Capricorn’s Board of Directors at least annually. Capricorn will provide a copy of its Code of Ethics to any investor or prospective investor upon request.

### **B. Conflicts of Interest Related to Recommendations to Clients**

As noted elsewhere in the Form ADV Part 2A, clients invest in legal entities where Capricorn or an affiliate acts as general partner or investment manager. Technically, these are securities in which Capricorn has a material financial interest. In addition, please see the conflicts related to the Individual Client noted in response to Item 11 below, as well as conflicts related to VIG and VIS noted in response to Items 10 above.

Capricorn is of the view that these relationships do present conflicts of interest and seeks to address the conflicts by providing disclosure about the relationships in this Form ADV Part 2A.

As noted above, the Individual Client (through a trust and a limited liability company under his control) is a significant owner of Capricorn. The Individual Client is the sole member of the Individual Management Entity, the entity ultimately responsible for approving investments on behalf of the Individual Client recommended by Capricorn. As discussed below, Capricorn’s relationship with the Individual Client raises potential conflicts of interest with respect to the

investments made by the Individual Client in the same securities invested by Clients of Capricorn.

As noted above, the Individual Client (through a trust and a limited liability company under his control) is a significant owner of Capricorn. The Individual Client is the sole member of the Individual Management Entity, the entity ultimately responsible for approving investments on behalf of the Individual Client recommended by Capricorn. As discussed below, Capricorn's relationship with the Individual Client raises potential conflicts of interest with respect to the investments made by the Individual Client in the same securities invested by Clients of Capricorn.

In addition, officers and employees of Capricorn may invest in the Employee IHP Fund. The Employee IHP Fund will invest in the AIPs alongside the IHPs, and will not pay management fees or make an incentive allocation to Capricorn. The Employee IHP Fund's allocation among AIPs may deviate substantially from the allocations of other IHP investors generally. Investments by the Employee IHP Fund may present additional conflicts of interest that are not apparent at this time.

Officers and employees of Capricorn also invest in the Individual Alongside Fund that invests alongside the Individual Client with respect to certain direct, largely private-equity, investments.

Because of differing investment objectives, portfolio size or other factors, Capricorn may recommend that the Individual Client take investment positions different from those taken by the IHPs, including positions contrary to those held by the IHPs or senior or junior to those held by the IHPs. To the extent that the IHPs hold interests that are different (or more senior or junior) than those held by the Individual Client, Capricorn may be presented with decisions involving circumstances where the interests of the Individual Client are in conflict with those of the IHPs, including with respect to the operation of a portfolio company, the targeted returns for the investment and the timeframe for and method of exiting the investment. Furthermore, it is possible that (in a bankruptcy proceeding or otherwise) the IHPs' interests may be subordinated or otherwise adversely affected by virtue of such other vehicle's involvement and actions relating to its investment. For example, a debt holder of a company may be better served by the company's liquidation, in which case it may be paid in full, whereas the IHP may hold equity and prefer a reorganization that could create value for the IHP and other equity holders.

Capricorn faces conflicts in determining whether and to what extent investment opportunities should be allocated between the IHPs and the Individual Client. Allocations may be subject to a significant degree of discretion exercised by Capricorn, including in connection with rebalancings, investing in new, different or additional investment strategies. Even allocations designed to mitigate conflicts do not eliminate the possibility that an allocation of assets will not adversely affect the IHPs.

Capricorn's management of the IHPs may benefit the Individual Client. For example, to the extent permitted by applicable law, the IHPs may invest in the securities of companies in which the Individual Client has an equity, debt or other interest. The purchase, holding, and sale of such investments by the IHPs may enhance the profitability of the Individual Client's investments in and activities with respect to such companies. The trading activities of the Individual Client, which will be carried out generally without reference to positions held by the IHPs, may have an effect on the value of the positions so held or may result in the Individual Client having an interest in an issuer adverse to that of the IHPs. To the extent permitted by applicable law, the

IHPs may invest, directly or indirectly, in investment entities in which the Individual Client has or subsequently makes an investment.

The Individual Client may make portfolio investments even if doing so would reduce the size of the IHPs' investment or prevent the IHPs from investing. Capricorn will allocate investment opportunities in its sole discretion and is not under any obligation to share any investment opportunity, idea or strategy with the IHPs, and may allocate a favorable investment opportunity to the Individual Client, or may allocate such investment opportunity to the IHPs only on different terms. In making an allocation, the investment objective of the IHPs may not be the dispositive factor; rather, Capricorn may consider, among other considerations, the available capital, risk tolerance and investment objectives and guidelines of each potential investor, the size of the portfolio investment, legal, tax and regulatory considerations, the availability of other investment opportunities and client relationships. Methods of allocating investment opportunities may change over time.

The IHPs may invest in opportunities that have been declined by the Individual Client. Subject to applicable law, the Individual Client, Capricorn or their respective affiliates are not prohibited from, without limitation: (i) investing in Underlying Funds, portfolio companies or other principal investments for its own account or the account of third parties, (ii) engaging in transactions in connection with a decision by the Individual Investor or Capricorn to enter into a new strategic business or businesses, (iii) from receiving fees or other compensation of any kind from any activity, including, without limitation, activities in which the interests of the IHPs may be different from or adverse to the interests of the Individual Client or third parties and (iv) from forming other investment vehicles.

The IHPs, on one hand, and the Individual Client, on the other hand, may compete with each other in identifying and making investments. In this regard, the Individual Client may have certain competitive advantages, including having more capital than the IHPs. As a result, the IHPs may be unable to make an investment or may pay a higher price for, or may agree to less favorable terms regarding, an investment.

Capricorn, VIG and their affiliated entities frequently make investments in a wide variety of sectors, including the healthcare and wellness sector, which is targeted by CHSO. Capricorn, Virgo and their affiliated entities may participate alongside CHSO in a particular investment or invest in a company in the healthcare and wellness sector without CHSO's participation, if it does not fit with CHSO's core investment strategy. This conflict is managed through the detailed allocation policy described in the relevant offering documents of CHSO.

It should be also be noted that just because an actual or potential conflict exists does not mean that Capricorn or the members, officers, directors and employees of Capricorn (including the Investment Team) will intentionally or inadvertently exploit such conflict to the detriment of any client or that any losses suffered by one client, but not another, are necessarily attributable to a conflict of interest. Capricorn seeks to address these conflicts by providing detailed disclosure about the relationships in this Form ADV Part 2A.

## **ITEM 12 – BROKERAGE PRACTICES**

### **A. Brokerage**

#### **1. Research & Soft Dollar Benefits**

The IHP, CHSO and AIP investments generally do not require use of a broker-dealer. This is also true for clients in the Non-Discretionary Legacy Program. On certain occasions, however, an investment will require that Capricorn select a broker-dealer to execute a transaction. Under these circumstances, in arranging for the execution of portfolio transactions on behalf of a client, Capricorn seeks to obtain best execution. “Best execution” refers to the duty to seek the best overall qualitative execution for a client in a particular circumstance. “Best execution” is not synonymous with lowest brokerage commission. Consequently, it should clearly be noted that in a particular transaction client may pay a brokerage commission in excess of that which another broker might have charged for executing the same transaction.

Generally, Capricorn plans to use a specific broker to execute portfolio transactions, when necessary, on behalf of a client. This broker provides certain investment services to the Individual Client, and has traditionally executed any trades required in connection with the Individual Client’s investments. Capricorn believes that this broker provides Capricorn’s clients with best execution. Capricorn will, however, periodically assess whether the broker provides best execution on behalf of a client. In determining assessing best execution, Capricorn considers, among other things, all or some of the following factors: (i) the broker’s execution capability, (ii) the commission rate charged by the broker, (iii) a broker’s past history of successful, prompt and reliable execution of client trades, and (iv) the financial strength and stability of the broker. Additional information regarding Capricorn’s brokerage arrangements will be provided to an investor in an IHP or other client upon request.

It is not expected that Capricorn will initially generate traditional “soft dollars” with respect to client trades. In the future, however, it is possible that a client will pay a broker a commission in excess of that which another broker might have charged for effecting the same transactions, in recognition of research services that may be provided by such broker. Any use by Capricorn of soft dollars with respect to its client’s trades will comply with Section 28(e) of the Securities Exchange Act of 1934, as amended. It should be noted, however, that if Capricorn engages in such trades, Capricorn has an incentive to do so in light of the research services provided by such broker-dealers.

#### **2. Brokerage for Client Referrals**

As noted above, the IHP and AIP investments generally do not require use of a broker-dealer. On certain occasions, however, an investment by an IHP or an AIP will require that Capricorn select a broker-dealer to execute a transaction. Although not presently done, Capricorn reserves the right in the future to select broker-dealers based upon Capricorn’s interest in receiving client referrals as opposed to simply seeking the most favorable execution (although Capricorn would still seek to obtain overall best execution).

#### **3. Directed Brokerage**

Capricorn does not participate in directed brokerage arrangements.

**B. Aggregated Purchase or Sales of Securities**

Capricorn does not generally aggregate the purchase or sale of securities for various client accounts. At the present, the majority of the securities purchased for client accounts are interests in underlying funds and Capricorn will not aggregate orders for investments in such funds as it is not permitted and would not provide any benefits to its clients.

Please also see the conflicts noted in response to Item 11 above.

## **ITEM 13 – REVIEW OF ACCOUNTS**

### **A. Review of Client Accounts**

Capricorn monitors and reviews investor accounts on a weekly/monthly/quarterly basis. Capricorn uses various internal reports reflecting market values, asset allocation, asset exposure, asset performance measurement, and various risk metrics in its on-going management of each investor's portfolio and all Underlying Investments. These reports are distributed internally and generally reviewed by Capricorn's CIO, Portfolio Management Team and Investments Team members.

On a monthly basis, the Capricorn Business Team prepares an Investor Flash Report specific to each investor. This report summarizes the prior month's investment activities, contains a capital account summary, fair market values, asset allocation details, performance details, and other relevant metrics. This report is distributed to and reviewed by the CIO, the Controller, and the CCO. After their review, the report is distributed to the investor.

On a quarterly basis, the Capricorn CIO prepares a Quarterly Letter. This letter summarizes the prior quarter's investment activities, portfolio performance, industry trends, and other relevant metrics. The letter is distributed to each investor.

Upon request, Capricorn provides each investor with the information they need regarding their accounts. Additionally, Capricorn seeks to meet with each investor on an annual basis and perform an annual review of their overall portfolio.

IHPs are audited at the end of each fiscal year by an independent certified public accountant. Capricorn delivers to each investor audited financial statements for their IHP, including an income statement for the year then ended and a balance sheet as of the end of such year and a statement of changes to such investor's capital account. Such audited financial statements are to be delivered as promptly as practicable and in any event by the latter of (a) fifteen (15) days after receipt of the last audited report from the Partnership's underlying investments or (b) one hundred eighty (180) days after the close of the IHP's fiscal year.

### **B. Frequency of Reports**

Beginning with the first full calendar quarter following the date of an investor's investment in an IHP, Capricorn will transmit to the investor within sixty (60) days after the close of each calendar quarter a report which will include Capricorn's estimates of the valuation of the investor's IHP as of the close of that quarter.

Capricorn will deliver to each investor audited financial statements of its IHP, including an income statement for the year then ended and a balance sheet as of the end of such year and a statement of changes to such investor's capital account in its IHP. Such audited financial statements will be delivered within one hundred eighty (180) days after the close of the IHP's fiscal year. Capricorn will use its reasonable efforts to provide to each investor such other information related to the investor's IHP and its investments, as is reasonably requested by such investor.

Capricorn will furnish a Schedule K-1 to each investor as promptly as practicable after the close of the fiscal year. An Underlying Fund's delay in providing a Schedule K-1 or other required

information to an AIP could delay Capricorn's preparation of its information return and Schedule K-1's. Delivery of the relevant information by an Underlying Fund will be subject to delay in the event of the late receipt of any necessary tax information from an entity in which the Underlying Fund holds an interest.

Investors in CHSO will receive audited financials, as well as a quarterly position summary and profit and loss report. Schedule K-1's will be provided as soon as reasonably practicable after the end of the fiscal year of the CHSO Funds.

Because Capricorn cannot provide annual tax information until such information is received from the Underlying Funds, it is likely that, in any taxable year, annual tax information will not be provided by Capricorn until sometime after April 15, and that the investors will need to apply for an extension of time to file tax returns.

## **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

Capricorn does not have someone who is not a client that provides an economic benefit to the firm for providing investment advice or other advisory services to Capricorn's clients. Capricorn does not currently have any agreements to compensate any person who is not a supervised person for client referrals, but may enter into similar arrangements in the future.



## **ITEM 15 – CUSTODY**

Capricorn is deemed to have custody of the assets of its clients (in its or its affiliates' role as the general partner or investment manager of those entities). It should be noted that Capricorn will maintain the cash assets of clients and securities directly investment in by Capricorn (other than interests in underlying investment funds) in custodial accounts with a "qualified custodian" pursuant to Rule 206(4)-2 under the Advisers Act.

Quarterly account statements sent to investors in the Funds will be sent by Capricorn, not Qualified Custodian used by Capricorn. Investors in the Funds should carefully review those statements and compare those statements to the information contained in the audited financial statements prepared by the auditors.

Finally, it should also be noted that in satisfaction of the requirements of Advisers Act Rule 206(4)-2, Capricorn reasonably believes that all investors in each IHP will be provided with GAAP compliant audited financial statements for that Fund within 180 days of the end of the applicable IHP's fiscal year. As stated above, Investors should carefully review those annual, audited financial statements

Capricorn reasonably believes that all investors in each CHSO will be provided with GAAP compliant audited financial statements for that Fund within 180 days of the end of the Fund's fiscal year. As stated above, Investors should carefully review those annual, audited financial statements.

## **ITEM 16 – INVESTMENT DISCRETION**

As noted above, Capricorn has discretionary authority to manage securities accounts on behalf of its advisory clients in Capricorn's Discretionary Client Program and CHSO. As noted elsewhere in this Form ADV Part 2A (in particular in Item 8 above), the investment strategy of the IHPs and CHSO are set forth in detail in such IHP's and CHSO's offering documents. Prospective investors are provided with an offering document prior to their investment and are encouraged to carefully review the offering document and to be sure that the proposed investment is consistent with their investment goals and tolerance for risk. Prospective investors must also execute a subscription agreement, in which they make various representations, including representations regarding their suitability to invest in a high-risk investment pool. Further, prospective investors must execute a limited partnership agreement.

## **ITEM 17 – VOTING CLIENT SECURITIES**

Capricorn understands and appreciates the importance of proxy voting. To the extent that Capricorn has discretion to vote the proxies on behalf of Clients in the Discretionary Client Program or CHSO, Capricorn will vote any such proxies in the best interests of Clients and in accordance with set compliance procedures. Any proxies related to direct investments made by Capricorn in the Discretionary Client Program or CHSO are delegated to a third party provider that evaluates and votes such proxies.

It is expected that any other proxies required to be voted by Capricorn (outside of direct investments that are delegated to a third party provider) will be related to proposed term changes to be made by Underlying Funds. Prior to voting any proxies related to Underlying Funds or CHSO, Capricorn's investment team will determine if there are any conflicts of interest related to the Underlying Fund proxy in question. If a conflict is identified, the investment team will then make a determination with the Chief Compliance Officer (which may be in consultation with the outside legal counsel or third party compliance consultants) as to whether the conflict is material or not. If no material conflict is identified pursuant to its procedures, the asset class team will make a decision on how to vote the proxy in question.

Copies of Capricorn's proxy voting procedures and voting records are available upon request.

Capricorn does not have authority to vote proxies related to investment held by certain clients in the Non-Discretionary Legacy Program. Those proxies are sent to and voted directly by the client or by a third party service designated by the client.

## **ITEM 18 – FINANCIAL INFORMATION**

Capricorn does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. In addition, Capricorn does not have discretionary authority or custody of client funds or securities. Lastly, Capricorn has not been subject of a bankruptcy petition at any time during the past ten years.