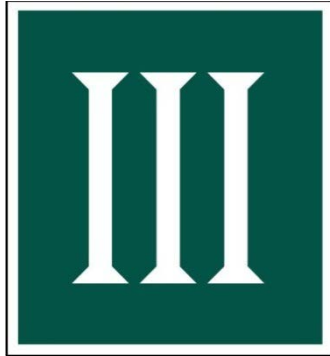


ITEM 1 – COVER PAGE



Third Security, LLC

Part 2A of Form ADV

Firm Brochure

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This Firm Brochure provides information about the qualifications and business practices of Third Security, LLC ("Third Security"). If you have any questions about the contents of this Brochure, please contact us at 540-633-7900. 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. Third Security is registered with the SEC as an investment adviser. Third Security's registration as an investment adviser does not imply any level of skill or training.

Additional information about Third Security also is available on the SEC's website at www.adviserinfo.sec.gov.

The date of this Firm Brochure is March 30, 2012.

ITEM 2 – MATERIAL CHANGES

This is Third Security's initial filing of its Form ADV. In future filings, this section of the Brochure will address only material changes that have been incorporated since Third Security's last delivery or posting of this document on the SEC's public disclosure website at www.adviserinfo.sec.gov.

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ITEM 4 – ADVISORY BUSINESS**Overview**

Third Security, LLC, which we will refer to as “Third Security,” is an independent, private venture capital investment firm with offices in Radford, Virginia, Greenwich, Connecticut and San Francisco, California, which began operations in March 1999 to manage investments in public and private companies. Third Security’s 17 professionals have more than 300 years of combined experience in private investing, accounting, corporate finance, investment research, law, management, tax and mergers and acquisitions. Third Security is led by Senior Managing Directors Randal J. Kirk, Robert Patzig and Marcus Smith along with Managing Directors Tad Fisher, Cliff Herndon, Scott Horner, Julian Kirk, Doit Koppler, Lisa Moose, and Jeff Perez. All three Senior Managing Directors have worked together since the inception of the firm in 1999, in addition to their time together at predecessor entities dating back to 1996 or earlier. Third Security is wholly owned by Randal J. Kirk.

Third Security manages life-science focused venture capital investment funds, which we refer to as “Funds,” on behalf of accredited investors. Third Security is dedicated to investing in and managing the risks and challenges of high-growth, technology-driven venture capital businesses. Third Security brings focus, experience, vision and unity of purpose—in addition to capital—to the investment management process by making investments in companies across a broad spectrum of developmental and investment stages, from early-round venture capital opportunities to providing expansion capital for revenue-generating businesses.

Third Security invests all Fund assets on a discretionary basis and does not tailor its investments to the individual needs of investors in the Funds, which we refer to as “Fund Investors,” nor may Fund Investors impose restrictions on Third Security’s ability to invest in certain securities or types of securities except as such restrictions may be negotiated in connection with the formation of a new Fund. Third Security does not participate in any wrap fee programs nor has Third Security entered into any soft dollar arrangements with any brokerage or research firms.

In addition to managing the Funds, Third Security provides general portfolio management services on a discretionary basis exclusively to (i) immediate family members of Randal J. Kirk and entities created for their benefit, who we will refer to as “Insiders” and (ii) entities created to provide equity incentive to employees of Third Security (and former employees who acquired interests prior to their departure). We refer to such entities and Funds as “Insider Funds.” Such portfolio management services include investments in fixed income and public and private equities in addition to making investments in the Funds and other venture capital investment funds. These general portfolio management services are not available to outside investors. Accordingly, the remainder of this brochure is focused on a description of Third Security’s venture capital investing business, which services are available only to investors who qualify as “accredited investors” and invest in the Funds.

The value of assets managed by Third Security as of December 31, 2011 was \$1.542 billion.

ITEM 5 – FEES AND COMPENSATION

The Funds are typically organized as limited partnerships and governed by limited partnership agreements, which we refer to as LPAs. As the manager of the Funds, Third Security receives a management fee equal to 90% of the management fees earned by the general partners of such Funds, which we refer to as the “General Partners.” The fees earned by the General Partners are negotiated with the limited partners collectively at the inception of each Fund. Such fees range from 2.0% to 2.25% of the capital committed to each Fund and, following the expiration of a Fund’s investment commitment period, its net invested capital. Typically, no management fees are imposed by the General Partner for Insiders or Insider Funds. Management fees are determined quarterly and paid in advance by deducting such fees from the account of each Fund. Management fees are non-refundable unless the Fund is terminated pursuant to its LPA, in which case the unearned portion of the management fee, determined on a pro rata amount per day, is returned to the Fund and available for distribution to the Fund Investors in connection with the liquidation of such Fund.

As stated above, management fees are negotiated at the inception of each Fund. All Fund Investors in each Fund are subject to the same management fee; provided, however, that Insiders and Insider Funds typically either are not subject to a management fee or such fees are waived at Third Security’s sole discretion.

The management fees paid by each Fund include the cost of fund accounting and administration. However, each Fund is responsible for its own fees and expenses incurred in connection with brokerage, legal, tax return preparation, audit services, due diligence costs incurred with respect to proposed investments, regulatory filings (if required), postage, and any other costs directly attributable to a Fund or its investments. Short-term cash balances held in brokerage accounts of Funds are often invested in money market mutual funds. Any fees charged by such mutual funds are paid by the respective Fund. There are no fees paid by Third Security or the Funds for custodian services for the Funds. Third Security is reimbursed by the Funds for any of the expenses describe above incurred by Third Security directly on behalf of a Fund. Please see Item 12 - Brokerage Practices for additional information concerning brokerage selection by Third Security.

The General Partners, in addition to the management fee, also are entitled to a certain percentage of the Fund’s distributions in excess of limited partner capital contributions and expenses, which is referred to as “carried interest,” as described below in Item 6 – Performance-Based Fees and Side-by-Side Management.

Under the terms of the respective LPAs governing each Fund, Third Security may make loans to a Fund in the event cash is not otherwise available to meet such Fund’s needs. In such case, Third Security earns interest these loans at an interest rate that generally includes Third Security’s incremental borrowing rate or the applicable rate prescribed by the Internal Revenue Service for the period to be covered by such loan plus 1.00%.

Third Security or Randal J. Kirk receives compensation from certain portfolio companies in which the Funds invest, which we refer to as “portfolio companies,” for the service of Third Security’s employees, or Mr. Kirk, on the boards of directors of such portfolio companies.

Neither Third Security nor any of its employees or supervised persons accepts compensation for the sale of securities or other investment products to the Funds.

ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As discussed above, in addition to management fees, the General Partners are entitled to a carried interest. The percentage of carried interest earned on a Fund is negotiated with the Fund Investors collectively at the inception of each Fund. Such carried interest percentage ranges from 20% to 30% of the ultimate performance of a Fund; provided, however, that Insider Funds are either not subject to a carried interest or are subject to a carried interest at a reduced percentage ranging from 13% to 17%. Amounts earned by the General Partners as carried interest are paid to the General Partner after the basis of the underlying investment, including any costs and expenses of a Fund allocable to such investment, have first been returned to the Fund Investors. The carried interest amount is determined following the realization of a Fund's investment, including an investment that has been written off, and is calculated on a cumulative basis.

If, upon the final distribution of the assets of a Fund, the aggregate amount paid to a General Partner as carried interest exceeds the agreed-upon carried interest percentage, then such General Partner is obligated to return the excess amount to the Fund, less an amount equal to the taxes that the General Partner (or its beneficial owners) would be required to pay with respect to prior carried interest amounts received by the General Partner. The amount of any carried interest returned by a General Partner to a Fund shall be available for distribution to the Fund Investors in connection with the liquidation of such Fund in accordance with its terms.

The Funds are each subject to performance-based fees in the form of carried interest payable to their respective General Partners. Third Security and the Insider Funds are the owners of the General Partners, and therefore are entitled to receive any such carried interest. This performance-based method of compensation may cause the General Partners to engage in a higher risk, more speculative investment strategy than might be the case in the absence of such a compensation arrangement. Third Security manages each Fund in accordance with the investment strategy disclosed in the Fund's offering materials to help ensure that investors are aware of the investment strategy and the risks associated with the strategy. Third Security believes the risks associated with this performance-based method of compensation are mitigated by investing in a substantial percentage of each Fund as a limited partner through various affiliates. In addition, the Funds receive a "first look" at all life science investment opportunities meeting the investment objectives of the Fund, other than smaller investments below a minimum threshold. For further discussion of conflicts of interest, see Item 10 – Other Financial Industry Activities and Affiliations below.

ITEM 7 – TYPES OF CLIENTS

Generally only “accredited investors,” as defined under Regulation D of the Securities Act of 1933, may invest in the Funds. In addition to Insiders and Insider Funds, Fund Investors consist primarily of institutional and high net worth individual investors. The minimum investment in a Fund typically ranges from \$200,000 to \$2,000,000, although a General Partner may waive this minimum in its sole discretion. Minimum investments in the Insider Funds are determined on a case-by-case basis. At the time a Fund is formed, the investor irrevocably commits to invest the agreed-upon amount into the Fund over time as the Fund identifies investments and calls upon the investors to remit their pro rata amount necessary to fund an investment and/or to pay the fees and expenses of the Fund. A Fund Investor is not entitled to withdraw any amount from a Fund and all distributions from a Fund are at the discretion of the Fund’s General Partner. However, upon receiving the consent of the General Partner, a Fund Investor may sell or transfer its interest in a Fund to another person pursuant to the terms of the LPA.

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

The Third Security management team consists of life-science focused investment professionals dedicated to managing the risks and challenges of high growth, technology-driven businesses. To support portfolio companies, Third Security leverages the strategic, financial, scientific, legal, technical, marketing and operational skills of its staff. Third Security may test an investment thesis and learn about a management team and its ability to build value for shareholders through an initial minority stake. Ultimately, however, Third Security prefers to build the portfolios of its Funds by making large, controlling or control-like investments in public and private companies where it has clearly defined the opportunities, value drivers and risks to success. Third Security then applies the internal skill sets of its management team to determine specific ways in which the target company may profit from both Third Security's capital and domains of expertise. Third Security's investment professionals may assist portfolio companies in many ways, including defining and prioritizing market opportunities, financial modeling and budgeting, establishing pricing models and setting strategy, executive recruitment, identifying opportunities for corporate transactions and collaboration and networking opportunities and board participation. Whenever possible, the Third Security management team looks to maintain collaborative, professional and cordial relationships with the executive teams of portfolio companies. The management team believes that the creation of value, however, must drive its relationships and decisions.

Investment Strategy

Third Security intends to continue its demonstrated strategy of making concentrated investments in a limited number of portfolio companies, which may be held in more than one Fund. Within the scope of a Fund's portfolio, Third Security considers each investment opportunity on a stand-alone basis, without regard to existing or future portfolio construction. Third Security looks at each opportunity in light of its distinct merits and risks, considering opportunities to improve the value of the asset through direct interaction and capital infusion.

Investment Criteria

The Funds invest in public and privately held early- and/or growth-stage companies with, or in the process of developing, emerging technologies, products or services that have the potential to generate significant returns via multiple commercial opportunities. In evaluating investment opportunities, Third Security considers many factors, including traditional quantitative and qualitative measures used in evaluating the performance of life-science companies. These may include market capitalization, total capitalization, burn rate, dry date, time to market and market size and opportunity. Third Security's disciplined and focused investment objectives, however, drive prioritization and selection of individual opportunities based upon a specific set of criteria, including:

- **Competitive Advantage.** The principal criterion for investment by a Fund is a clear and convincing competitive advantage. While there are many ways in which a company may describe its competitive position, Third Security specifically looks at the following advantages:
 - (1) *Strong Intellectual Property.* Third Security will seek to invest in companies that it believes have technologies superior to the technologies of their potential competitors. Third Security will perform due diligence to determine whether the intellectual property estates of potential portfolio companies prevent competitors from utilizing the potential portfolio companies' technology. Such intellectual property will usually

include composition of matter patents or method of use patents, as well as, where applicable, blocking patents that contemplate potential avenues to work around the core intellectual property and secure rights to such avenues for the company or inventor(s) in question. Intellectual property may also exist in the form of trade secrets, usually consisting of processes and methods that provide advantages to the inventor(s) but that are not patentable or for which a patent is undesirable.

- (2) *Exploitation of Market Inefficiencies.* Third Security will seek to invest in companies that recognize market inefficiencies and have a means to exploit such market inefficiencies and/or unrecognized efficiencies. Within many industries, market participants frequently conform to learned patterns of behavior without querying whether such behavior is optimal. Companies that identify patterns of sub-optimal performance compete by creating new and better methods, which can quickly create market-leading positions.
 - (3) *Industrial, Governmental and Academic Relationships.* It is possible to secure competitive advantage through relationships with others that possess the power to influence product uptake or that otherwise determine trends and directions within an industry. Third Security may invest in companies that it believes either already possess or have the potential to possess such competitive advantage.
 - (4) *Barriers to Entry.* Third Security may invest in companies it believes possess characteristics that result in the creation of barriers to entry for potential competitors, including a first mover advantage, established distribution channels and exclusivity via contract or regulation.
- **Platform Investments.** Third Security will generally not invest in companies built around individual products or aggregations of discrete products. Rather, it will seek to invest in companies developing products that have been, prior to the company's invention or discovery, historically impractical or impossible and for which there is a demonstrable demand or need. By focusing on enabling platform technologies, Third Security seeks investments with a "multiple shots on goal" dynamic. Third Security believes the value of such a portfolio company is not driven by binary events leading to total success or failure, as is characteristic of most development stage life-sciences companies, but rather by developing multiple paths to revenue generation and profitability.
 - **Enhancement of existing investments.** Third Security believes that follow-on investments in existing portfolio companies often are the most attractive investment opportunities. Third Security's investments often are made in stages as companies achieve milestones, a strategy that Third Security believes mitigates risk to the Funds. Third Security historically has not participated in syndicated investments and typically seeks to maintain board representation and/or contractual consent rights with respect to significant decisions made by portfolio companies outside the ordinary course of business. In addition, Third Security looks for opportunities to acquire complimentary businesses within existing portfolio companies.

Furthermore, and as a prerequisite to investment, Third Security will identify opportunities to influence positively the odds of success of the target company. Third Security's management team will also seek to form a relationship with the company, its management and its board of directors such that they can contribute suggestions and advice for the development of the company. Third Security's efforts could also include helping to build out a portfolio company management team through recruitment and coaching, replacing an ineffectual manager, restructuring a company's balance sheet, providing

introductions and identifying corporate opportunities, refining business plans and models and rolling-up technology and miscellaneous assets to create a more valuable enterprise.

Investment Management

Once qualified investment opportunities are identified and due diligence exercises satisfactorily completed, Third Security will seek to negotiate and structure an investment in each portfolio company (1) at a valuation deemed reasonable in comparison to the potential risk-adjusted return and (2) that Third Security believes can provide a favorable exit for a Fund within a reasonable period of time. Third Security will continue to work within the same investment management framework that has historically proven to be successful. The primary elements of this framework include:

- **Influence.** Third Security will seek to make significant investments in equity or equity-linked securities in each portfolio company. Third Security will seek to negotiate rights with respect to board representation and/or consent rights with respect to certain decisions made outside the ordinary course of business.
- **Leveraging our Capital through Sweat Equity.** Third Security historically has not participated in syndicated investments. Third Security believes this autonomy allows it to execute a unique collaborative investment strategy, employing a far more hands-on and involved approach than is standard for venture capital firms. Third Security looks for opportunities where it can add more value than simply providing necessary capital. Toward this end, Third Security generally makes available a wide variety of resources in support of its portfolio companies, depending on the individual needs of each company. This support can include legal, accounting, human resources, research, mergers and acquisitions, due diligence support, strategic relationship and business development, as well as strategic direction and management resources. Third Security takes this approach whether the investment in question is a publicly traded company or a start-up enterprise. Third Security will not make investments in companies where these non-financial resources cannot be effectively deployed.
- **Alignment of Interests.** Third Security will seek to align its interests with investors by making significant financial commitments to its Funds..

Portfolio Characteristics and Investment Selection

Third Security may make investments across all stages of development, from founding capital to expansion capital and bridge financing. Investments may take the form of preferred stock, common stock, equity-linked instruments such as warrants and options, convertible debt or other convertible instruments. Third Security anticipates that most and potentially all investments made through a Fund will be in the life-sciences industry, but portions of a Fund may be invested in other high-growth opportunities in ancillary industries, including but not limited to information technology, robotics and chemicals.

In nearly every portfolio company in which it has invested, Third Security has acted as the primary investor. In those investments in which it was not the primary investor, the investment was made on the open market or alongside an existing investor in an investment round in which Third Security acted as the primary investor. In every case, Third Security's investment process involves deal sourcing, due diligence and planning how to apply resources to create value in the investment. Third Security's activities also include negotiation and strategic guidance and support to the company for the duration of

the investment. In every company in which a Fund establishes a large position, Third Security will seek, and typically obtains, representation on the board of directors.

Because Third Security historically has not participated in syndicated investments, it is necessary to over-originate investment opportunities. To this end, the extensive personal networks of the Third Security management team serve as the best source of deal flow. The management team's relationships extend throughout the life-science industry, including contacts at research institutes, universities and life-science companies. The Third Security management team also maintains an extensive network of contacts at investment banking, private equity and venture capital firms and law firms.

Third Security depends on a wide variety of sources for its proprietary deal flow. Third Security does not typically compete for "shopped deals" or participate in traditional auction processes. Rather, the Third Security management team uses its extensive network of contacts throughout the life-sciences industry to identify possible investment targets. The firm also uses traditional stock screens, monitors scientific publications and participates in venture capital and life-science conferences to identify new investment opportunities. The result of these activities is a substantial body of proprietary investment opportunities.

As a supplement to their extensive network of contacts, Third Security's investment professionals regularly attend industry events and conferences, read trade publications, scientific literature, analyst reports and market research and run stock screens. Through these processes, Third Security is able to reduce to a manageable number the more than 40,000 private and public companies that identify themselves as being in the life-sciences or healthcare sector within the United States alone. Third Security believes that, outside of the United States, there are at least an equal number of companies in these sectors. Third Security considers its potential universe of investments to be the approximately 7,000 public and private biotechnology companies in the United States and abroad. However, our stringent investment criteria make it rare for more than a small percentage of these companies to fit Third Security's investment criteria, warranting closer scrutiny. In addition to new investment opportunities, this screening process often yields acquisition, divestiture or partnering opportunities for existing Third Security portfolio companies.

When a company has met the requirements for initial consideration, a carefully managed diligence process begins. Primary responsibility for each investment opportunity resides with a Senior Managing Director or Managing Director who serves as the deal lead. A full diligence team, chosen based on the requirements of the proposed transaction, supports the deal lead. Third Security often engages outside consultants as part of the diligence process to help evaluate technology, clinical trial design, clinical endpoints, manufacturing and regulatory issues. Due diligence involves management meetings and presentations, site visits, modeling, market research, competitive analysis, background checks, reference calls and more. The list of documents and materials requested from each company is comprehensive.

Risk of Loss

An investment in a Fund entails a significant degree of risk and, therefore, should be undertaken only by investors capable of evaluating the risks and bearing the risks it represents. In particular, investing in securities, including interests in the Funds, involves risk of loss that Fund Investors should be able to bear. Prospective investors should carefully consider the following factors in connection with investing in a Fund.

THE FOLLOWING FACTORS DO NOT CONSTITUTE ALL RISKS INVOLVED IN CONNECTION WITH AN INVESTMENT IN A FUND. THERE CAN BE NO ASSURANCE THAT A FUND WILL BE ABLE TO ACHIEVE ITS INVESTMENT OBJECTIVE OR THAT PARTNERS WILL RECEIVE A RETURN ON OR OF THEIR CAPITAL, AND INVESTMENT RESULTS MAY VARY SUBSTANTIALLY ON A QUARTERLY OR ANNUAL BASIS.

Risks Related to a Fund's Investments

Nature of Fund Investments in General. A Fund's investments, by their nature, will involve business, financial, market and/or legal risks. While such investments offer the opportunity for significant capital gains, they also involve a high degree of risk that can result in substantial losses. There can be no assurance that Third Security will correctly evaluate the nature and magnitude of the various factors that could affect the value of such investments. Prices of the investments may be volatile, and a variety of other factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of a Fund's activities. As a result, a Fund's performance over a particular period may not necessarily be indicative of the results that may be expected in future periods. Past investment history is not necessarily indicative of future performance.

A Fund's investments may also take the form of minority investments in companies in which it may have limited or no influence. Such a company may have economic or business interests or goals that are inconsistent with those of Third Security, and Third Security may not be in a position to limit or otherwise protect the value of an investment in the company, although as a condition of making such investments, it is expected that appropriate equity or debt holder rights generally will be sought to protect a Fund's investments. Third Security's control over the investment policies of the company may also be limited. A Fund may co-invest in a company with financial, strategic or other third-party investors. Such investments will involve additional risks not present in investments where a third party is not involved, including the possibility that the co-investor may have interests or objectives that are inconsistent with those of Third Security or may be in a position to take action contrary to Third Security's investment objectives. In addition, a Fund may in certain circumstances be liable for actions of its third-party co-venturers or co-investors.

A significant portion of a Fund's investments will involve private securities. In connection with the disposition of an investment in private securities, a Fund may be required to make representations about the business and financial affairs of the company typical of those made in connection with the sale of a business. A Fund also may be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate. These arrangements may incur contingent liabilities that ultimately might yield funding obligations that must be satisfied by a Fund Investor to the extent of its commitments and certain prior distributions.

Risk of Venture Capital Investments Generally. While venture capital investments offer the opportunity for significant gains, such investments also involve a high degree of business and financial risk and can result in substantial losses. Among these risks are the general risks associated with investing in companies at an early stage of development or with little or no operating history, companies operating at a

loss or with substantial variations in operating results from period to period, and companies with the need for substantial additional capital to support expansion or to achieve or maintain a competitive position. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing, and service capabilities, and a larger number of qualified managerial and technical personnel.

In addition, unlike other types of securities investments, many of a Fund's investments will be privately negotiated by Third Security and, accordingly, may involve higher transaction costs (including legal fees and expenses) than comparably sized investments in publicly traded securities purchased over-the-counter or through the facilities of a securities exchange. To the extent such costs are not paid by the portfolio company, they will be borne by the Fund making the investment.

Difficulty of Locating Suitable Investments. There can be no assurance that there will be a sufficient number of suitable investment opportunities to enable a Fund to invest all of its committed capital in opportunities that satisfy such Fund's investment objectives, or that such investment opportunities will lead to completed investments by the Fund. Identification of attractive investment opportunities is difficult and involves a high degree of uncertainty. Furthermore, the availability of investment opportunities generally will be subject to market conditions as well as, in some cases, the prevailing regulatory or political climate. Competition for such opportunities is expected to be substantial.

In addition, there can be no assurance that a Fund will be able to fully invest its capital on attractive terms. This could result from several factors, including without limitation, competition from other investors, demands from potential portfolio companies not acceptable to Third Security and other business, technical and economic factors.

Portfolio Concentration and Non-Diversification. Diversification is not an objective of Third Security. A Fund's portfolio may include large positions in a small number of portfolio companies. While it is generally the intention of a General Partner and its affiliates not to invest more than 35% of a Fund's capital in any one issuer, there is no assurance that sufficient diversification of investments can be properly achieved. Poor performance by one or more investments could severely affect the total performance of a Fund. Moreover, a Fund may be substantially concentrated in the life-sciences sector and this may represent a significant risk for some investors.

Limited History of Product Development. A Fund may invest in companies that have no products approved for sale. The potential products of such a company could require significant additional development and testing, as well as regulatory approval. There can be no assurance that such a company will be able to manage successfully the development process for a new product, especially, as may be the case, if the management of such a company does not have significant experience in developing a product. In addition, there can be no assurance that any such potential products will prove to be safe or function as planned, meet applicable regulatory standards, be capable of being produced in commercial quantities at acceptable costs or be successfully marketed.

Future Capital Needs and Commitments; Uncertainty of Additional Funding. The investment by a Fund may not satisfy the long-term funding needs of a company and, as a result, a portfolio company may require substantial additional funds to develop and market their products. A Fund may be called upon to provide follow-up funding for its portfolio companies or have the opportunity to increase its investment in such portfolio company. There can be no assurance that Third Security will wish to make follow-on investments or that a Fund will have sufficient capital to do so. Any decision by Third Security not to make follow-on investments or a Fund's inability to make them may have a substantial negative impact on a portfolio company in need of such an investment or, if such funding is provided by a third party, may diminish Third Security's ability to influence the portfolio company's future development. Furthermore,

there can be no assurance that such additional financing will be available on acceptable terms, if at all from other parties. If adequate funds are not available, a portfolio company may be required to: (i) delay, reduce the scope of or eliminate one or more of its development programs or forfeit its rights to licensed products or technologies; (ii) obtain funds through arrangements with collaborative partners or others that may require the company to relinquish rights to certain of its technologies or products that the company would otherwise seek to develop or commercialize itself; or (iii) license the rights to such products on terms that are less favorable to the company than might otherwise be available.

Risks Associated with Investments in Life-Science Companies

Most, if not all, of a Fund's investments may be in the life-science industry. The following summarizes certain significant risks associated with investments in companies in the life-science industry. While not an exhaustive list, set forth below are certain particular risks related to life-science companies, any of which could negatively impact the value of an investment by a Fund.

Limited History of Product Development. Third Security anticipates that it may invest in companies that have no products approved for sale. The potential products of such a company could require significant additional development and preclinical and clinical testing, as well as, in all cases, regulatory approval. There can be no assurance that the management of such a company will be able to manage successfully the development process for a new product, especially, as may be the case, if the management of such a company does not have significant experience in developing a product. In addition, there can be no assurance that any such potential products will prove to be safe and efficacious in clinical trials, meet applicable regulatory standards, be capable of being produced in commercial quantities at acceptable costs or be successfully marketed.

Dependence on Single Products. Companies in which Third Security invests may only have one product under development. There can be no assurance that the product will be approved for marketing by the FDA or any foreign regulatory agency. Further, competition to the product may develop from other new and existing products. In either case, if a company is dependent on that one product, the consequences of such failure could be devastating to the prospects of such company.

Technological Changes May Adversely Affect Portfolio Companies. The markets in which anticipated portfolio companies operate are characterized by rapid change, frequent new product and service introductions and evolving industry standards. Significant technological changes could render their technology or other products and services obsolete. Certain markets' growth and intense competition exacerbate these conditions. In addition, there are many competitors in the healthcare sector that have already been funded that will force a Fund's portfolio companies to compete with more established companies and to compete for financing. If portfolio companies are unable to respond successfully to these developments or do not respond in a cost-effective manner, a Fund's business, financial condition and operating results will be adversely affected. To be successful, portfolio companies must adapt to their rapidly changing markets by continually improving the responsiveness, services and features of their products and services and by developing new features to meet the needs of their customers. There can be no assurance that portfolio companies will be able to meet these competitive requirements, and failure to do so could result in a significantly adverse effect on a Fund's investments.

Uncertainties Related to Clinical Trials. Before obtaining regulatory approval for the commercial sale of its products and their respective indications, a life-science company is required to demonstrate through preclinical studies and clinical trials that the products are safe and effective for use in each target usage. The results from preclinical studies and early clinical trials may not predict the results that will be obtained in large-scale testing, and there can be no assurance that the clinical trials conducted by a company or its partners will demonstrate sufficient safety and efficacy to obtain required regulatory

approvals or will result in marketable products. A number of companies in the life-science industry have suffered significant setbacks in advanced clinical trials, even after achieving promising results in earlier trials. There is the possibility that unacceptable side effects will be discovered during preclinical or clinical testing of a company's products. Even after approval for marketing, a product may later be shown to be ineffective or to have unacceptable side effects not discovered during testing, requiring limitations on its use or withdrawal from the market.

Volatile Marketplace; Risk of Absence of Exit. The public market for life-science companies continues to be volatile. The state of the market may adversely affect the development of portfolio companies, the ability of a Fund to dispose of investments, and the value of investment securities on the date of sale or distribution by a Fund.

Uncertainty of Government Regulatory Requirements; Lengthy Approval Process. The research, development, preclinical and clinical trials, manufacturing, labeling, and marketing related to a life-science company's products are subject to an extensive regulatory approval process by the U.S. Food and Drug Administration and other regulatory agencies in the United States and abroad. The process of obtaining U.S. Food and Drug Administration and other required regulatory approvals for drug and biologic products, including required preclinical and clinical testing, is lengthy, expensive and uncertain. There can be no assurance that, even after such time and expenditures, a company would be able to obtain necessary regulatory approvals for clinical testing or for the manufacturing or marketing of any products or that the approved labeling will be sufficient for favorable marketing and promotional activities.

Uncertain Ability to Protect Proprietary Technology; Reliance Upon Licenses. The life-science industry places considerable importance on obtaining patent and trade secret protection for new technologies, products and processes. A portfolio company's success will depend, in part, on its ability to obtain patent protection for its products, preserve its trade secrets and operate without infringing the proprietary rights of others. There can be no assurance of a company's success or timeliness in obtaining any patents, or of the breadth or degree of protection that any such patents will afford a company.

Uncertainty Related to Healthcare Reimbursement and Reform Measures. In both United States and foreign markets, sales of a life-science company's products and its success will depend in part on the availability of reimbursement from third-party payors such as government health administration authorities, private health insurers and other organizations. The levels of revenues and profitability of pharmaceutical companies may be affected by the continuing efforts of governmental and third-party payors to contain or reduce the costs of healthcare. Significant uncertainty exists as to the reimbursement status of newly approved pharmaceutical, medical device and biotechnology products. There can be no assurance that a company's proposed products will be considered cost-effective or that adequate third-party reimbursement will be available to enable a company to maintain price levels sufficient to realize an appropriate return on its investment in product development.

ITEM 9 – DISCIPLINARY INFORMATION

Not applicable.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Third Security acts as manager to the Funds. As discussed throughout this Brochure, the investment services of Third Security are only available to the Funds, the Insider Funds and the Insiders.

Third Security and the Insider Funds own the General Partners of the Funds.

Third Security is not involved in any other financial industry activities other than those discussed in this Brochure. Further, Third Security does not maintain any material relationship with another person involved in other financial industry activities. Third Security does not recommend or select other investment advisers for its clients nor does Third Security pay others for clients referred to Third Security.

Various potential and actual conflicts of interest may arise from the overall investment activities of Third Security and its affiliates. The following disclosure briefly summarizes some of these conflicts, but is not intended to be an exclusive list of all such conflicts. Investors are advised to review the applicable offering materials and the risks set forth in Item 8 – Methods for a more extensive description of the risks of investing in the Funds.

Certain conflicts of interest may arise due to the activities in which the Third Security and its affiliates may engage. Third Security has engaged and is expected to continue to engage in a broad spectrum of activities, which include making direct investments with its own capital, sponsoring and managing private investment funds, providing private investment services and conducting other business activities. In the ordinary course of its business, Third Security may engage in activities as to which Third Security's interests may conflict with the interests of the Funds and, therefore, the Fund Investors, notwithstanding Third Security's or any of its affiliates' participation as Fund Investors. Third Security and its affiliates will not be restricted from engaging in such activities or their performance in any such activities.

Certain inherent conflicts of interest arise from the fact that Third Security and its affiliates carry on investment activities for various outside clients as well as for their own account. Third Security may give advice and recommend certain investments to a particular client, which advice or investments may be identical to, or differ from, advice given to, or investments recommended or bought or sold for, another client, even though their investment objectives may be the same or similar. The portfolio strategies employed by Third Security with respect to certain clients could conflict with the transactions and strategies employed for other clients. Conversely, participation in specific investment opportunities may be appropriate, at times, for multiple clients. In such cases, the opportunities will be allocated in a fair and equitable manner among the clients over time in view of the different investment mandates and risk parameters of the clients. Such opportunities are generally allocated on the basis of capital available for such investments and other relevant factors particular to the accounts which may include the different liquidity positions and requirements of the participating clients, tax considerations, regulatory considerations, the relative capitalization and cash availability of the participating clients, the relative risk and value-at-risk profiles of the participating clients, the different strategies employed, portfolio concentration considerations, informal diversification requirements, the investment time horizon, among others.

Historically, Third Security has not launched a new Fund until an existing Fund has invested or committed for investment at least 75% of its capital commitments, with the exception of a regional Fund with a focus on smaller, early stage investments. In order to reduce internal competition for allocation of venture capital investment opportunities among competing clients in the life sciences sector, recent Funds have received the "first look" at life science investment opportunities. Pursuant to a provision in its LPA, during the commitment period of these Funds, Third Security is required to allocate to the applicable

Fund all life-science investment opportunities that meet the investment objectives of the Fund, other than smaller investments below a minimum threshold.

The General Partners receive incentive compensation. See Item 6 – Performance-Based Fees and Side-by-Side Management for discussion of the risks associated with this incentive compensation.

The General Partners have engaged Third Security as the investment manager for each Fund and may engage Third Security or its affiliates on an arm's-length basis to perform other services for the Fund or entities in which the Fund invests. Compensation for such services could include customary third party financial advisory fees or fees in connection with advice on valuing, structuring, negotiating or restructuring transactions. Any such fees or compensation, other than customary fees paid in the ordinary course of business, must be approved by the advisory board for the particular Fund. The Funds will not be entitled to any portion of any such fee or compensation or have the management fee waived or reduced as a result thereof.

Third Security and its affiliates and employees will not be required to devote any specified amount of time to managing the portfolio of any particular client. Employees of Third Security and its affiliates will continue to provide other services resulting in involvement with portfolio companies and will participate in other activities of Third Security and its affiliates.

Third Security employs a more hands-on and involved approach than many venture capital investment managers. In connection with these portfolio company investments, on behalf of the Funds Third Security typically negotiates the right to board representation as well as consent rights with respect to certain decisions made outside the ordinary course of business. Because Third Security typically employs a long-term investment approach and investments in portfolio companies are typically held for a number of years, there are often “follow on” type investments in portfolio companies where prior Funds and affiliates already have made significant investments. Third Security believes that follow-on investments in existing portfolio companies often are the most attractive investment opportunities. Third Security's investments often are made in stages as companies achieve milestones, a strategy that Third Security believes mitigates risk to the Funds. Third Security attempts to mitigate the effects of such conflicts by:

- considering each investment opportunity on a stand-alone basis, without regard to existing or future portfolio construction;
- looking at each opportunity in light of its distinct merits and risks, considering opportunities to improve the value of the asset through direct interaction and capital infusion;
- seeking to negotiate and structure an investment in each portfolio company (1) at a valuation deemed reasonable in comparison to the potential risk-adjusted return and (2) that Third Security believes can provide a favorable exit for a Fund within a reasonable period of time; and
- viewing such an investment as a related party transaction subject to approval by the Fund's advisory board.

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

As an SEC-registered adviser, Third Security has adopted a Code of Ethics pursuant to the SEC's Rule 204A-1. The Code of Ethics includes a Personal Investment and Trading Policy and a Statement on Insider Trading. The Code of Ethics covers Third Security's policies as they relate to:

- Standards of business conduct required of Third Security personnel consistent with Third Security's fiduciary obligations to the Funds it manages;
- Requirements for Third Security personnel to comply with applicable federal securities laws;
- Policies for the periodic review of Third Security personnel's personal securities transactions and holdings;
- Procedures requiring Third Security employees to report violations of the Code of Ethics to the Chief Compliance Officer; and
- Requirements for Third Security personnel to review and acknowledge receipt of the Code of Ethics.

The Code of Ethics defines material and nonpublic information and the restrictions on trading on any material and nonpublic knowledge and sets forth the responsibilities of all supervised persons relative to insider trading. The Code of Ethics includes policies and procedures on issues of security as they relate to sensitive and confidential materials and record retention of all documents and electronic information.

All principals and employees of Third Security must acknowledge understanding and agree to comply with the Code of Ethics initially upon employment and must certify on an annual basis that they have read and understand the Code of Ethics and have complied with it.

Third Security and its affiliates provide investment management services to a number of Funds, Insiders and Insider Funds and there are numerous potential conflicts of interest that may arise in connection therewith. Please see Item 10 – Other Financial Industry Activities and Affiliations for a description of these potential conflicts.

Third Security's Code of Ethics is available to investors and potential investors upon request.

Third Security's related persons may from time to time have bought or sold, or may subsequently buy or sell, for their personal accounts, securities that may also be purchased or sold on behalf of the Funds and other clients. Third Security's related personnel are subject to guidelines governing the ability to trade in personal accounts. The guidelines generally require that certain personal securities transactions receive pre-clearance from the Chief Compliance Officer. In addition, such personnel are required to submit brokerage statements from their personal trading accounts to allow for more complete monitoring of personal trading.

A Fund may also purchase investments directly or indirectly from Third Security or its affiliates including investments acquired as the result of the divestiture, private offering or public offering of some or all of the shares by a portfolio company of one or more other Funds managed by Third Security or other clients. In the event such transaction involves a Fund, such investments will be viewed as related party transactions subject to approval by the Fund's advisory board.

ITEM 12 – BROKERAGE PRACTICES

Third Security selects the brokers it uses for transaction and custody services based upon the financial strength of the broker and the cost of doing business with the broker, including commission rates and other fees and expenses. Third Security makes its broker selection without any consideration of client referrals by any brokerage firm. Third Security has complete discretion concerning broker selection and does not allow clients to direct the use of a broker. Third Security does not enter into any soft dollar arrangements with brokerage or research services firms.

Nearly all of the investment transactions executed by Third Security on behalf of the Funds are entered into with private companies or involve unregistered securities. For such transactions, no brokerage services are required. On any occasion when Third Security may execute trades in shares of a public company in the open market and such shares are being acquired or sold by more than one Fund, Third Security will select a broker that will aggregate the purchase or sale of shares and allocate the purchase or sale of such shares on a pro rata basis among the buying or selling Funds based upon the number of shares intended to be purchased or sold in the aggregate. Third Security does not consider client referrals in selecting brokers.

Third Security does not receive “soft dollar benefits” from its brokers.

ITEM 13 – REVIEW OF ACCOUNTS

All client accounts are reviewed on a periodic basis by Third Security's Investment Committee, chaired by Randal J. Kirk. In addition, the Investment Committee authorizes the execution of any letter of intent or indication of interest with respect to a potential Fund investment prior to the commencement of due diligence. The Investment Committee also approves all investment decisions with respect to the purchase or sale of an investment by a Fund.

Within 60 days following the end of each calendar quarter, Third Security prepares written reports, which we refer to as "Investor Reports," to all Fund Investors, except for investors in the Insider Funds. The Fund Reports are intended to provide each Fund Investor with information concerning the progress of each investment held by a Fund towards the goals and objectives of such Fund. Investor Reports are not prepared with a view towards each Fund Investor's investment goals and objectives. The Investor Reports are prepared by Doit Koppler and Tad Fisher using information available in the public domain or provided by the Third Security employees who work most closely with each portfolio company. The Investor Reports generally include, among other matters, information arising since the last report with a particular focus on material events impacting portfolio companies.

Financial information, primarily a summary balance sheet and summary statement of operations, for a Fund and each of its portfolio companies is included with each Investor Report, except for financial information for any public portfolio company whose information is available in the public domain.

Annually, each Fund Investor is provided with a copy of such Fund's audit report, Schedule K-1 income tax reporting form, and an audited financial statement for each portfolio company, except for any public portfolio company whose audited financial information is available in the public domain.

When an event or transaction affecting a portfolio company occurs that Third Security considers material, a special written report will be prepared discussing such event or transaction and will be sent to the limited partners invested in the Fund(s) affected by such event or transaction. All Investor Reports and any special communication with the limited partners of Third Security managed Funds are reviewed by the Investment Committee.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

Third Security does not make client referrals to others, nor does Third Security compensate others for client referrals.

ITEM 15 – CUSTODY

Third Security has physical custody of certain securities and other assets of the Funds and the Insider Funds, such as share certificates of private companies and other evidence of privately placed securities. In addition, under Rule 206(4)-2 of the Investment Advisers Act of 1940, Third Security is deemed to have custody of other securities and other assets of the Funds even though Third Security does not physically hold such securities and other assets, and no securities and assets of Clients are registered in Third Security's name.

With respect to the Funds, Third Security is exempt from many of the provisions of Rule 206(4)-2 because each Fund intends to have its financial statements audited in accordance with U.S. generally accepted accounting principles on an annual basis by a public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, with such audited financial statements being distributed to each Fund Investor within 120 days of the end of such Fund's fiscal year.

In the event Third Security is deemed to have custody of the assets of the Insider Funds, Third Security will arrange for each qualified custodian to send quarterly account statements directly to the investors in such Insider Fund, pursuant to Rule 206(4)-2. Such investors should carefully review these statements. Any investor that also receives account statements from Third Security should compare those account statements with the account statements received from the qualified custodians.

ITEM 16 – INVESTMENT DISCRETION

Third Security invests on a discretionary basis for the Funds and does not tailor its investments to the individual needs of Fund Investors, nor may Fund Investors impose restrictions on Third Security's ability to invest in certain securities or types of securities except as such restrictions may be negotiated in connection with the formation of a Fund. Such limitations, if any, will be included in the LPA that governs the operations of a Fund. Limitations typical of recent Funds are a requirement that the General Partner obtain (i) the approval of an advisory board consisting of individuals associated with unaffiliated limited partners with respect to conflicts of interest transactions; (ii) advisory board approval to allow the Fund to invest more than a certain limited percentage of the Fund in non-life science investments; and (iii) advisory board approval to allow the Fund to invest more than a certain limited percentage of the Fund in a single portfolio company. The execution of the LPA by each Fund Investor is done by the General Partner on behalf of such Fund Investor pursuant to a power of attorney obtained in connection with an investor's completion of documentation required in connection with such investment. Required documentation includes a completed subscription agreement, limited power of attorney and an investor qualification statement.

ITEM 17 – VOTING CLIENT SECURITIES

Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended, requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies. Third Security has complete discretion concerning voting securities on behalf of the Funds. Because (i) the investments made by a Fund individually, or collectively with other Funds, typically represent positions of control of portfolio companies or (ii) Third Security represents its Funds on the board of directors of a portfolio company, Third Security typically is directly involved in establishing the agenda and matters to be voted upon by shareholders. Accordingly, in these situations, Third Security typically will vote with management. Third Security exercises its discretion with respect to the voting of proxies in a manner that is intended to serve the best interests of its affected clients, as determined by Third Security in its sole discretion. Fund Investors may obtain a copy of Third Security's proxy voting policies and procedures, as well as relevant proxy voting records, upon written request to the Chief Compliance Officer.

ITEM 18 – FINANCIAL INFORMATION

Not applicable.