

**Item 1 – Cover Page**

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This Brochure provides information about the qualifications and business practices of Frazier Management, LLC (“Frazier”). The firm conducts business under its primary business name: Frazier Healthcare. If you have any questions about the contents of this Brochure, please contact us at 206-621-7200 and/or [steveb@frazierco.com](mailto:steveb@frazierco.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.

Frazier is a registered investment adviser. Registration of an investment adviser does not imply that Frazier or any of its affiliates or personnel possess any particular level of skill or training. Additional information about Frazier also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search information about the firm on this site by a unique identifying number, known as a CRD number. The CRD number for Frazier is 157324.

March 13, 2015

## **Item 2 – Material Changes**

This Item discusses only the material changes that have occurred since Frazier’s last annual update. Since this is Frazier’s initial Brochure, there are no material changes to report.

If you are interested in receiving the most recent copy of our Brochure, please contact us at 206-621-7200 and/or [steveb@frazierco.com](mailto:steveb@frazierco.com).

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## **Item 4 – Advisory Business**

Frazier is an investment manager focused exclusively on the healthcare sector, a leading provider of growth equity and venture capital to emerging health care companies. Frazier was founded in 1991 by Alan D. Frazier. The firm is owned by Alan D. Frazier, Nader J. Naini, Jamie Topper, Patrick Heron and Nathan Every. As of September 30, 2014, Frazier's assets under management is \$1,275,537,079, all of which were managed on a discretionary basis.

Frazier provides discretionary investment management services to U.S. and non-U.S. private investment funds (the "Frazier Funds"). In providing such services, Frazier utilizes strategies based on evaluating pharmaceutical, biotechnology, medical device, healthcare services and other companies in the global healthcare sector. Such strategies may include, within the healthcare sector and subject to the investment program of each Frazier Fund, investments in the securities of U.S. and non-U.S. public and private companies. In providing its investment advisory services, Frazier determines when and which investments will be acquired, disposed of, or exchanged on behalf of its fund clients to maintain a portfolio consistent with each client's objectives.

Frazier's advisory services to the Frazier Funds consist of (i) investigating, identifying and evaluating investment opportunities; (ii) structuring, negotiating and making investments on behalf of the Frazier Funds; (iii) managing and monitoring the performance of such investments; and (iv) exiting such investments on behalf of the Frazier Funds. Frazier's advisory services to each Frazier Fund are subject to the specific investment objectives and restrictions applicable to such Frazier Fund, as set forth in such Frazier Fund's limited partnership agreement, confidential private placement memorandum and other governing documents (collectively, the "Governing Documents"). Investors and prospective investors in each Frazier Fund should refer to the Governing Documents of that Frazier Fund for information on the investment objectives and investment restrictions with respect to that Frazier Fund. There can be no assurance that any of the Frazier Funds' investment objectives will be achieved.

In accordance with common industry practice, one or more of the Frazier Funds or their general partners may enter into "side letters" or similar agreements with certain investors pursuant to which the Frazier Fund or its general partner grants the investor specific rights, benefits, or privileges that are not made available to investors generally. Such "side letters" or similar agreements generally are disclosed only to investors in the applicable Frazier Fund that have separately negotiated with Frazier for the right to review such "side letters" or similar agreements.

## **Item 5 – Fees and Compensation**

### *Compensation and Fee Schedules*

Frazier typically receives a management fee from each of the Frazier Funds, which is generally equal to a percentage of the capital commitments to such Frazier Fund. The fee percentage and/or the base upon which the fee is calculated may vary with the size of the Frazier Fund and may also vary over the life of the Frazier Fund, as negotiated and determined at the time the Frazier Fund is established and as set forth in its Governing Documents. The percentage generally starts at 2.0-2.5% annually and is then generally reduced per year for each annual period beginning at some point after the Fund's active investment period has ended.

In addition, a related person of Frazier, as general partner of a Frazier Fund, will typically receive certain allocations and distributions calculated and charged based on a share of capital gains on or capital appreciation of the assets of such Frazier Fund, as negotiated and determined at the time such Frazier Fund is established and as set forth in its Governing Documents. These allocations and distributions are commonly known as "carried interest".

In limited circumstances, the management fees and carried interest payable to Frazier by a Frazier Fund may be waived or reduced with respect to certain participants in such Frazier Fund. Fees are typically waived or reduced with respect to investments in the Frazier Funds by Frazier or its related persons.

Please refer to the Governing Documents of each applicable Frazier Fund for complete information on the fees and compensation payable with respect to such Frazier Fund.

Investors and prospective investors in the Frazier Funds should note that similar advisory services may (or may not) be available from other investment advisers for similar or lower fees.

#### *Deduction of Fees; Timing of Payments; Termination*

Frazier is authorized under the Frazier Funds' Governing Documents to charge and deduct management fees directly from the assets of the Frazier Funds. Payments of management fees are generally made quarterly in advance in accordance with the terms of the Governing Documents. Please refer to the Governing Documents of each of the Frazier Funds for complete information on the timing of management fee payments.

Upon termination of any Frazier Fund's management relationship with Frazier, any prepaid, unearned management fees (based on daily pro ration of the fee paid in advance for the applicable period) will be promptly refunded to such Frazier Fund, and any earned, unpaid fees will be immediately due and payable.

#### *Other Fees and Expenses*

In addition to any management fees payable to Frazier, a Frazier Fund will incur certain charges imposed by third parties and other expenses. Such expenses may include (but are not limited to): (i) organizational and liquidation expenses of the Frazier Fund; (ii) any

sales or other taxes that may be assessed against the Frazier Fund; (iii) commissions or brokerage fees or similar charges incurred in connection with the purchase or sale of securities, including any merger fees payable to third parties (whether or not any such purchase or sale is consummated); (iv) fees (if any) and expenses of members of the Frazier Fund's advisory committee (including travel-related costs and expenses); (v) the costs and expenses (excluding travel-related expenses, other than travel-related expenses of members of the Frazier Fund's advisory committee) of hosting annual or special meetings for the Frazier Fund's investors or advisory committee, or otherwise holding meetings or conferences with investors of the Frazier Fund, whether individually or in a group; (vi) interest expense for borrowed money (if any); (vii) all expenses relating to litigation and threatened litigation involving the Frazier Fund, including indemnification expenses; (viii) expenses attributable to certain consulting services (other than consulting fees for services that could have been reasonably rendered by Frazier its partners and employees) and to normal and extraordinary investment banking, commercial banking, accounting, auditing, tax, appraisal, legal, custodial and registration services provided to the Frazier Fund, including, without limitation, all such services relating to the actual or proposed purchase or sale of securities by the Frazier Fund (whether or not any such purchase or sale is consummated); (ix) other due diligence expenses (such as market diligence and background checks) with respect to actual or proposed investments by the Frazier Fund, whether or not consummated; (x) "broken-deal" fees and expenses, other than travel, incurred in connection with proposed investments by the Frazier Fund that are not consummated; (xi) fees payable to any placement agent engaged by Frazier in connection with the offering of interests in the Frazier Fund (subject to an offset of such amount against the management fee payable by the Frazier Fund to Frazier); (xii) insurance premiums and costs for insurance related to Frazier Fund transactions and directors' and officers'-type insurance covering the Frazier Fund, Frazier, members of the advisory committee of the Frazier Fund and any direct or indirect equityholder, manager, director, officer, employee or agent of Frazier or its affiliates in connection with the activities of the Frazier Fund; (xiii) fees and costs in connection with the Frazier Fund's legal and regulatory compliance with U.S. (federal, state or local) or non-U.S. laws or regulations (e.g., filings on Form PF and compliance with AIFMD); and (xiv) all other expenses properly chargeable to the activities of the Frazier Fund.

The types of other fees and expenses incurred will vary from Frazier Fund to Frazier Fund. Please refer to the Governing Documents of each applicable Frazier Fund for more complete information.

The section titled "Brokerage Practices" (Item 12 below) describes the factors Frazier considers in selecting or recommending broker-dealers and determining the reasonableness of their compensation.

### *Timing of Payments*

Please refer to the subsection titled “*Deduction of Fees; Timing of Payments; Termination*” described above.

### *Transaction-Based Compensation*

Frazier does not receive any transaction-based compensation from the Frazier Funds for the sale of securities or other investment products to any Frazier Fund. Please refer to the subsection titled “*Economic Benefits Received from Third Parties*” in Item 14 below for information on types of compensation that Frazier may receive with respect to investments by the Frazier Funds.

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

### *Performance-Based Fees*

As discussed under the section titled “Fees and Compensation” (Item 5 above), a related person of Frazier, as general partner of a Frazier Fund, will typically receive a carried interest based on a share of capital gains on or capital appreciation of the assets of such Frazier Fund as set forth in such Frazier Fund’s Governing Documents.

Any share of profits allocated and distributed to the general partner of a Frazier Fund is separate and distinct from the management fees charged by Frazier to such Frazier Fund for advisory services.

Performance-based carried interest arrangements may create an incentive for Frazier to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee or compensation arrangement. Please refer to the Governing Documents of each Frazier Fund for complete information on the “performance-based fee” arrangements of each Frazier Fund.

### *Side-by-Side Management*

Frazier may provide concurrent advisory services to Frazier Funds that are not charged a performance-based fee or carried interest and Frazier Funds that are charged a performance-based fee or carried interest. Frazier may also provide concurrent advisory services to Frazier Funds that are charged different performance-based fees or carried interests or that, based on investment results at a given time, are more likely to generate performance-based fees or carried interest. As a result, the potential for Frazier’s related persons to receive different fees or carried interests creates a potential conflict of interest with respect to the allocation of investment opportunities because Frazier may have an incentive to direct the best investment ideas to, or to allocate investments in favor of, the

account that pays a more favorable performance fee or carried interest (or pay a performance fee or carried interest sooner).

To mitigate this potential conflict of interest, the allocation of investment opportunities among Frazier Funds is made by Frazier in accordance with its investment allocation policy, which takes into account multiple criteria, including: (i) differences with respect to available capital (*e.g.*, current or anticipated capital available for investment, including anticipated follow-on investments, if applicable), size, and remaining life of each Frazier Fund; (ii) the nature of the investment opportunity (including the size and anticipated follow-on investment requirements); (iii) potential conflicts of interest (including whether a Frazier Fund has an existing investment in the opportunity in question); (iv) the relevant allocation of investment opportunity provisions and restrictions in each Frazier Fund's Governing Documents; (v) tax, legal or regulatory considerations; and (vi) current and anticipated market conditions. In the event that investment opportunities are suitable for more than one Frazier Fund, Frazier and its related persons seek to derive an allocation that in their judgment is fair and equitable to each Frazier Fund relative to other Frazier Funds over the life of such Frazier Fund, taking into account all relevant facts and circumstances.

When a new Frazier Fund is first formed and the predecessor fund of such Frazier Fund still has capital available for investments in new portfolio companies, subject to the provisions of the applicable Frazier Fund's Governing Documents, Frazier generally will allocate investment opportunities in new portfolio companies to the predecessor Frazier Fund (and potentially predecessor Frazier Funds of an earlier vintage with available capital) until the predecessor Frazier Fund has used up its remaining capital capacity for new investments, as determined in good faith by Frazier. Frazier then generally will start allocating new investment opportunities to the new Frazier Fund, with the predecessor Frazier Fund potentially also being considered for new investment opportunities if it subsequently has a liquidity event and is still permitted to invest in new portfolio companies under its Governing Documents.

A follow-on investment opportunity in an existing portfolio company generally will first be considered as an opportunity for the Frazier Fund that has an existing investment in that company. If more than one Frazier Fund has an existing investment in the portfolio company, the follow-on opportunity will first be considered as an opportunity for those Frazier Funds, in proportion to their pre-existing investments in the portfolio company. However, Frazier may determine that a non-pro rata follow-on investment is appropriate (for example, because one of the Frazier Funds does not have enough unreserved capital left to invest or would exceed certain limitations in the Frazier Fund's Governing Documents if it were to invest its pro rata amount). If, after Frazier has determined how much to invest for the Frazier Funds with priority on such opportunity, there is an additional amount potentially available to the Frazier Funds in respect of such opportunity, Frazier may consider that remaining amount for other Frazier Funds that are then making



new investments, subject to any applicable provisions of the Frazier Funds' Governing Documents.

After the applicable Frazier Fund(s) have received their desired portion of a new investment or follow-on investment opportunity, Frazier, in certain cases, may make additional amounts with respect to such investment opportunity (if any) available for co-investment to one or more investors in the Frazier Funds or other third parties. Factors that Frazier may consider in allocating any particular co-investment opportunity include, among others: (i) Frazier's perception of the strategic value of a prospective co-investor to the underlying investment opportunity; (ii) how quickly a prospective co-investor is able to conduct its own due diligence and provide a commitment with respect to an investment opportunity; (iii) whether Frazier believes that the prospective co-investor has the financial and other resources to make the investment; (iv) whether the prospective co-investor has indicated a desire to make investments of the type offered by the investment opportunity; (v) whether the prospective co-investor will represent a good syndicate partner in connection with the Frazier Fund's investment, including by giving confidence that it will be able to meet future investment needs of the business; (vi) any requirements or restrictions relating to such matters in the Frazier Fund's Governing Documents or "side letters"; and (vii) other factors relevant to the relationship of a particular investment opportunity to a given prospective co-investor.

Frazier Funds may, as permitted under their respective Governing Documents, cross-invest in portfolio companies in which other Frazier Funds already hold an interest. To the extent that multiple Frazier Funds hold an interest in the same portfolio company, it is Frazier's policy that disposition opportunities with respect to that investment will, to the extent practicable, be allocated among such Frazier Funds on a basis that, in the judgment of Frazier, is fair and equitable to each Frazier Fund relative to other Frazier Funds, taking into account all relevant facts and circumstances, including (without limitation): (i) the relative ownership percentages of the Frazier Funds in the applicable portfolio company; (ii) the strategies, guidelines and restrictions of each Frazier Fund under its Governing Documents; (iii) other relevant provisions in a Frazier Fund's Governing Documents or in other agreements related to the Frazier Fund's investment in such issuer; (iv) liquidity needs for each Frazier Fund and the investment cycle of a particular Frazier Fund; (v) respective holding periods for the investment; (vi) the nature and size of the disposition opportunity; (vii) current and anticipated market conditions; and (viii) tax, legal or regulatory considerations.

## **Item 7 – Types of Clients**

Frazier generally provides investment advice to pooled investment vehicles, such as the Frazier Funds. The investors in the Frazier Funds may include corporations, financial institutions, funds-of-funds, governmental bodies or agencies, insurance companies, endowments, foundations, trusts, estates, high net worth individuals, and pension and

profit sharing plans. Frazier may also provide investment management and supervisory services to separate account clients.

The Frazier Funds generally are not required to register under the U.S. Investment Company Act of 1940, as amended (the “Investment Company Act”), or register their securities under the U.S. Securities Act of 1933, as amended (the “Securities Act”), pursuant to various exceptions and exemptions provided under those statutes. As a result, Frazier generally offers limited partner (or equivalent) interests in the Funds to a limited number of “accredited investors” as defined in Regulation D under the Securities Act and, in most cases, exclusively to “qualified purchasers” as defined in Section 2(a)(51) of the Investment Company Act. The Frazier Fund generally require substantial minimum initial investments, which vary by fund from \$1 million to \$5 million. These minimum initial investments may be waived or reduced under certain circumstances by the general partner of each Frazier Fund.

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

### **Investing in securities involves risk of loss that clients should be prepared to bear.**

Investment Strategy. Frazier generally seeks long-term capital appreciation through investments in companies in the global healthcare sector. The instruments in which Frazier invests include U.S. and non-U.S. equities, as well as privately placed securities, debt securities and private investments in public equity securities (“PIPEs”). Frazier attempts to employ a disciplined investment style and achieve diversification within the global healthcare sector, with the goal of creating attractive risk-adjusted returns.

When evaluating securities for investment, Frazier employs various valuation techniques and conducts extensive due diligence, including, but not limited to, company visits, discussions with company management, and qualitative and quantitative screening. Additionally, Frazier representatives may serve as members of, or observers on, portfolio companies’ boards of directors.

Investment Risks. The strategies that Frazier employs entail a significant degree of risk and could result in substantial losses under certain circumstances. Accordingly, an investment in a fund managed by Frazier should be undertaken only by investors capable of evaluating and bearing the risks of the investment. Please refer to the Governing Documents of the applicable Frazier Fund for more complete information on the investment strategies employed by such Frazier Fund and corresponding risks associated with such investment strategies.

Such risks include those related to Frazier’s focus on the global healthcare sector as well as general risks related to investing in the types of funds and accounts that Frazier manages. Below are summaries of certain of those risks. Prospective fund investors are advised to review the applicable prospectus, private placement memorandum or other offering

document for a more extensive description of the risks of investing in any particular fund or strategy.

Frazier's concentration in the healthcare/life sciences sector and lack of diversification across other sectors present risks specific to such strategies and the Frazier Funds may not enjoy the reduced risks of a broadly diversified portfolio. Those risks include the following: certain companies may have limited operating histories; scarcity of management and marketing personnel with appropriate scientific or medical training may result in slow or impeded growth of a company; the possibility of lawsuits related to patents or products; obsolescence of products; change in government policies; changes in investor sentiments and preferences with regard to healthcare sector investments (some of which are generally perceived as risky); volatility in the U.S. and other stock markets that affects the prices of healthcare company securities, resulting in substantial volatility in the performance of funds that Frazier manages; and the fact that many companies in the healthcare sector are subject to extensive government regulation.

Frazier may invest in the securities of healthcare companies that are engaged in the development of products or technologies or that are conducting clinical trials on products or technologies. Obtaining required regulatory approvals often requires the submission of extensive preclinical and clinical data, information about product manufacturing processes, and inspection of facilities and supporting information for each therapeutic indication to establish a product candidate's safety and efficacy. Varying interpretations of the data obtained from preclinical and clinical testing could delay, limit or prevent regulatory approval of a product candidate. The process of obtaining and maintaining regulatory approvals may vary and involves substantial regulatory discretion, is expensive, and often takes many years, if approval is obtained at all. Failure to obtain and maintain regulatory approval for a product candidate following a business combination would have an adverse effect on the value of the underlying securities of a healthcare company.

In addition, intellectual property rights in the fields of medical devices, diagnostics, pharmaceuticals and biotechnology are highly uncertain and may involve complex legal and scientific questions. Healthcare companies may not be able to obtain additional issued patents relating to their products, methods, processes, services or other technologies. Even if issued, patents may be challenged, narrowed, invalidated or circumvented, or others may obtain patents claiming aspects similar to those covered by such patents and patent applications, which factors could limit a company's ability to stop competitors from marketing similar products or services, limit the length of term of patent protection they may have for their products or services, and expose them to substantial costs and risks in litigation and administrative proceedings and drain resources. Changes in either patent laws or in interpretations of patent laws in the United States and other countries may diminish the value of a company's intellectual property or narrow the scope of its patent protection.

The testing and marketing of medical products and technologies entail an inherent risk of product liability. Accordingly, companies in the healthcare industry may be exposed to potential liability risks inherent in the testing, manufacturing, marketing and sale of healthcare products and/or the provision of healthcare services. A liability claim or the imposition of liability may have an adverse effect on the market prices of a company's securities.

The strategies that Frazier uses to manage its client funds also have more general risks, beyond those related to the healthcare sector. Such risks, include, but are not limited to, the following:

Nature of Investments. A substantial portion of a Frazier Fund's investments will be in equity or equity-related investments that by their nature involve business, financial, market and/or legal risks. A Frazier Fund's investments will be highly illiquid, and there can be no assurance that a Frazier Fund will be able to realize on such investments in a timely manner. Consequently, dispositions of such investments may require a lengthy time period or may result in distributions in kind to investors.

While such investments offer the opportunity for significant capital gains, they also involve a high degree of risk that may result in substantial losses. There can be no assurance that the general partner of a Frazier Fund or Frazier 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 Frazier Fund's activities.

Control Liability. A Frazier Fund may own a significant or controlling percentage of the common equity of its portfolio companies. A Frazier Fund will generally appoint one or more representatives to the board of directors of the companies in which it invests. On occasion, a representative of a Frazier Fund may also serve in an executive officer position with a portfolio company. Significant or controlling ownership and serving on the board of directors or as an executive officer of a portfolio company exposes a Frazier Fund's representatives, and ultimately a Frazier Fund, to potential liability because a Frazier Fund or its representatives may in certain cases be thought to control, participate in the management of or influence the conduct of such portfolio company.

Non-Controlling Investments. A Frazier Fund may invest in minority positions in portfolio companies and may have a limited ability to exert significant influence or protect its position. Accordingly, a Frazier Fund may have a limited ability to protect its interests in such portfolio companies and to influence such portfolio companies' management. In such cases, a Frazier Fund will be significantly reliant on the other equity participants in the portfolio companies and on the existing management and board of directors of such portfolio companies, which may include representation of other financial investors with

whom a Frazier Fund is not affiliated and whose interests may conflict with the interests of such Frazier Fund.

Limited Number of Investments. Frazier may intend for a Frazier Fund to participate in a limited number of investments and, as a consequence, the aggregate return of such Frazier Fund may be adversely affected by the unfavorable performance of even a single investment. Although Frazier intends to diversify each Frazier Fund's portfolio to the extent reasonably possible within the confines of such Frazier Fund's investment strategy, the inability of Frazier to achieve this objective could adversely affect the performance of a Frazier Fund. Furthermore, to the extent that the capital raised is less than the targeted amount, a Frazier Fund may make fewer investments and thus be less diversified.

Reliance on Other Management. The day-to-day operations of each portfolio company in which a Frazier Fund invests will be the responsibility of such portfolio company's management team. Although Frazier and each Frazier Fund's general partner will monitor the performance of a Frazier Fund's portfolio companies and will screen for and, if necessary, recruit capable management, there can be no assurance that such management will be able to operate any such portfolio company in accordance with such Frazier Fund's expectations.

Follow-On Investments. A Frazier Fund may be called upon to provide follow-on funding for its portfolio companies or have the opportunity to increase its investment in portfolio companies. There can be no assurance that a Frazier Fund will have sufficient capital to do so. Any decision not to make follow-on investments or the inability to make them may have a substantial negative impact on a portfolio company in need of such an investment or may diminish a Frazier Fund's proportionate ownership in such portfolio company and thus its ability to influence such portfolio company's future development.

Risk of Loss. The strategies Frazier employs in the funds it manages and the financial instruments used to implement those strategies are highly speculative. The strategies may not be successful in meeting their performance objectives, and potential clients and fund investors should not invest with Frazier unless they can bear the risk of a complete loss of their capital. There is no assurance that the strategies will be able to generate returns or that the returns will be commensurate with their inherent risks. The past investment performance of any funds managed and/or sponsored by Frazier cannot be taken to guarantee future results of those or any other Frazier Funds.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Frazier or the integrity of Frazier's management. Frazier has no information applicable to this Item.

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

### *Registered Broker-Dealers*

Neither Frazier nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

### *Registered Futures Commission Merchants, Commodity Pool Operators and Commodity Trading Advisors*

Neither Frazier nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of any of the foregoing.

### *Relationships with Related Persons*

Frazier and its related persons are, directly or indirectly, the general partner, limited partners and/or managing members/general partners of the general partner of each of the Frazier Funds. Frazier and its related persons may spend substantially all of their business time on one or more of the Frazier Funds as required pursuant to the terms of each Frazier Fund's Governing Documents. This can create potential conflicts in the allocation of time, resources and investment opportunities among the Frazier Funds. Investors are requested to refer to the Governing Documents of each Frazier Fund for more complete information on the requisite time commitments (if any) of Frazier and its related persons to the Frazier Funds. Please also refer to the description of Frazier's investment allocation policy described in the subsection "*Side-by-Side Management*" in Item 6 above.

Frazier is affiliated through common control and ownership with Frazier Technology Management, LLC ("Frazier Technology"), a related investment adviser. Frazier and Frazier Technology share operations personnel, and the personnel of the Frazier Technology are subject to the same compliance policies and procedures and Code of Ethics requirements as the personnel of Frazier.

Employees of Frazier and its affiliates may serve as officers, advisors, directors or in comparable management functions for portfolio companies in which the Frazier Funds invest, or provide other services to portfolio companies, and may receive compensation in connection therewith. Employees of Frazier may also from time to time serve on the board of directors or a creditors committee of a portfolio company, or be given access for other reasons to confidential information relating to companies in which the Frazier Funds invest. As a result, the Frazier Funds may, under certain circumstances, be prohibited for a period of time from engaging in transactions with respect to the debt or securities of such a portfolio company, which prohibition may have an adverse effect on the Frazier Funds.

Certain Frazier employees with considerable senior-level operating experience may at times serve interim management roles at the companies in which the Frazier Funds invest. These individuals provide additional support and guidance to the portfolio company's management team. Deploying senior level talent to portfolio companies (which most young companies could not otherwise afford or attract) for a specific pre-determined period of time is a capital efficient manner for Frazier to add demonstrable value to its companies. In addition, having access to these individuals can help the portfolio company save critical time and scarce resources by avoiding the need to hire executive recruiters, interview potential recruits, negotiate compensation packages and then terminate the person when then the specific job has been accomplished. The ability to deploy such individuals to portfolio companies enhances the opportunity set of investments that Frazier can pursue on behalf of its limited partners.

#### *Selection or Recommendation of Other Advisers*

Frazier does not recommend or select other investment advisers for its clients and does not receive compensation from such advisers in a manner that would create a material conflict of interest. Frazier does not have other business relationships with other advisers that create a material conflict of interest.

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

Frazier has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics describes Frazier's fiduciary duties to its clients and sets forth Frazier's policies and procedures relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. Under Frazier's Code of Ethics, all of its supervised persons have a duty to act only in the best interests of the Frazier Funds and are required to promptly report all violations of the Code of Ethics to Frazier's Chief Compliance Officer. All supervised persons at Frazier must acknowledge the terms of the Code of Ethics annually, or as amended.

Frazier anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Frazier has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Frazier, its affiliates and/or clients, directly or indirectly, have a position of interest. Frazier's employees and persons associated with Frazier are required to follow Frazier's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Frazier and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Frazier's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities

and interests of the employees of Frazier will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics, certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Frazier's clients. In addition, the Code of Ethics requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Frazier and its clients.

Frazier's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Steve Bailey, Chief Compliance Officer at (206) 621-7200.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Frazier's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Frazier will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

Frazier may cause a Frazier Fund to engage in "cross transactions" via the purchase of a portfolio investment from, or the sale of a portfolio investment to, another Frazier Fund, provided that the transaction is consistent with Frazier's fiduciary obligations to each Frazier Fund participating in the cross transaction and subject to any conditions or required consents under a Frazier Fund's Governing Documents. Frazier Funds that are formed as "parallel funds" to co-invest in all investments such Frazier Funds make will typically engage in re-balancing "cross transactions" pursuant to the terms of their Governing Documents as the relative capital commitments between the parallel funds change during their respective fund-raising periods.

Frazier may, from time to time, affect principal transactions for the Frazier Funds. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory fund. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated fund and another client account. Such transactions will be fully disclosed and the written consent of the appropriate Frazier Fund (which, in certain circumstances, may be provided by the Frazier Fund's advisory board) will be obtained prior to the consummation of any such transactions in accordance



with Section 206(3) of the Advisers Act to the extent that such transactions constitute “principal transactions” under Section 206(3).

Conflicts of interest may arise because Frazier personnel may serve as directors of certain companies or other legal entities in which the Frazier Funds have invested. In those instances where the Frazier Funds are not the sole owners of the applicable company or other legal entity, in addition to any fiduciary duties the Frazier personnel owe to the Frazier Funds, as directors of companies or other legal entities, such personnel may owe certain duties to the owners of the companies or other legal entities and to persons other than the Frazier Funds. In general, such director positions are often important to the Frazier Funds’ investment strategy and may have the effect of enhancing the ability of Frazier personnel to manage investments. However, such positions may place Frazier personnel in a position where a decision must be made that is either not in the best interests of the Frazier Funds or not in the best interests of the owners of the company or other legal entity. Should such Frazier personnel make a decision that is not in the best interest of the owners of a company, such decision may subject Frazier and the Frazier Funds to claims that they would not otherwise be subject to as an investor, including claims of breach of the duty of loyalty, securities claims and other director-related claims. In addition, because of the potential conflicting duties, Frazier may be restricted in choosing investments for the Frazier Funds, which could negatively impact returns achieved by the Frazier Funds.

While Frazier endeavors at all times to act in the best interests of the Frazier Funds, investors should be aware that the types of transactions described above create potential conflicts of interest with respect to Frazier and the Frazier Funds.

## **Item 12 – Brokerage Practices**

Frazier is responsible for implementing each Frazier Fund’s investment objectives and strategies, as set forth in the applicable Frazier Fund’s Governing Documents.

In general, Frazier does not utilize broker-dealers to purchase portfolio investments for the Frazier Funds, however, if Frazier were ever called upon to utilize a broker, it would do so in accordance with its duty to seek best execution for the Frazier Funds. The Frazier Funds may become in possession of publicly traded securities (as a result of IPOs or acquisitions) and Frazier will then need to select a broker-dealer to either sell such shares or distribute them to the investors in the Frazier Funds. In selecting broker-dealers to effect securities such transactions, Frazier seeks to obtain best execution by considering factors including, but not limited to, execution quality, price, the level of service offered, reliability, experience in liquidating distributions from private equity funds and such other factors as Frazier considers relevant and beneficial to the Frazier Funds.

Frazier has established allocation and aggregation procedures for the allocation of portfolio investment transactions among the Frazier Funds. The allocation and aggregation

procedures are designed to ensure that each Frazier Fund is treated fairly and that transactions are allocated in a manner that is fair and equitable to each Frazier Fund relative to the other Frazier Funds, taking into account all relevant facts and circumstances. Frazier will always take into account each Frazier Fund's investment objectives and investment allocation policy in the allocation process. Please also refer to the description of Frazier's investment allocation policy described in the subsection "*Side-by-Side Management*" in Item 6 above.

### **Item 13 – Review of Accounts**

Frazier's fund portfolios are reviewed on a daily basis by multiple personnel, including the portfolio managers, Frazier's operations personnel, and Frazier's compliance personnel. The scope of these reviews typically includes the composition of the portfolios, relevant pricing information, risk exposure and compliance with any specific portfolio guidelines.

Clients generally receive information about their accounts quarterly as well as when a Frazier Fund makes an investment or a distribution. Account statements generally outline the type and size of the investments comprising the relevant client's portfolio.

Additionally, upon a client's request, Frazier will make an annual or other periodic presentation to the board of directors or comparable governing body of the client, which presentation typically summarizes the investment strategies employed for the client's account and the trading activity in the account over the relevant period.

Investors should refer to the Governing Documents of the relevant Frazier Fund for further information on the reports provided by a particular Frazier Fund to its investors.

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

#### *Economic Benefits Received from Third Parties*

In connection with investments made by Frazier Funds, Frazier (or persons associated with Frazier) may receive an annual management fee and/or monitoring, consulting, directors' or other fees (whether in cash or options or other securities) from a portfolio company while the applicable Frazier Fund continues to have an investment in such portfolio company. Frazier may receive a "break-up" fee from a prospective portfolio company if an investment does not close for certain reasons after a letter of intent related to such investment has been signed with such portfolio company. Frazier may also receive commitment, structuring and/or other transaction fees from portfolio companies in which one or more of the Frazier Funds invests or intends to invest. The amount of any fees that Frazier or any of its associated persons receives from portfolio companies is typically determined by negotiations between Frazier and the applicable portfolio companies.

These types of arrangements present potential conflicts of interest and provide Frazier with an incentive to recommend investments based on compensation received rather than the best interests of a Frazier Fund. To help mitigate potential conflicts, such benefits received by Frazier or its employees in connection with services rendered to portfolio companies or transactions of a Frazier Fund are generally offset in whole (and therefore reduce) advisory fees payable by the relevant Frazier Fund, to the extent provided in the Governing Documents of such Frazier Fund.

Frazier retains “operating partners” and “senior advisors” to provide services (including as a member of the board of directors) to or otherwise consult with portfolio companies of the Frazier Funds. Operating partners and senior advisors are consultants engaged by Frazier who are former executives of companies, including former portfolio companies of the Frazier Funds. Operating partners and senior advisors receive compensation from the portfolio companies to which they provide services, as determined by negotiations between the operating partner or senior advisor and the applicable portfolio company. Such compensation may consist of cash fees, options or other securities. Also, as part of such negotiated arrangement with a portfolio company, an operating partner or senior advisor may be provided with the opportunity to invest in such portfolio company. Directors’ fees or consulting fees received by such persons from portfolio companies, whether in cash or in the form of options or securities, generally do not reduce management fees payable to Frazier by the Frazier Funds. Additionally, certain operating partners or senior advisors may be compensated directly or indirectly by a Frazier Fund while such operating partners are actively engaged in seeking investment opportunities for such Frazier Fund. To the extent any operating partners or senior advisors provide services directly to Frazier during the same period in which such operating partner or senior advisor is providing services to one or more portfolio companies, Frazier bears a portion of the compensation payable to such operating partner or senior advisor allocable to services provided to Frazier and not directly to such portfolio companies. Frazier believes that these operating partners and senior advisors provide significant added value to the applicable portfolio companies.

Please refer to the Governing Documents of the relevant Frazier Fund for more complete information about advisory fee offsets.

#### *Third Party Compensation for Investor Referrals*

Frazier and related persons of Frazier may enter into cash compensation arrangements with unaffiliated placement agents or third parties for introducing investors to a Frazier Fund. Any sales charge or placement fee associated with such arrangements will ultimately be payable by Frazier and/or its related persons, either directly or through an offset of the advisory fee payable by the relevant Frazier Fund to Frazier. Notwithstanding the foregoing, generally, reasonable out-of-pocket expense reimbursements and

indemnification payments (if any) to such placement agents or third parties will each be borne by the Frazier Funds and not Frazier.

### **Item 15 – Custody**

Frazier does not have physical custody of any client assets (other than certain privately offered securities to the extent permitted by the Advisers Act and related SEC interpretive guidance). Frazier will be deemed to have custody of the assets of the Frazier Funds as a result of its authority over the Frazier Funds.

It is Frazier’s policy to cause each Frazier Fund with assets over which Frazier is deemed to have “custody” to be audited annually and distribute audited financial statements, prepared in accordance with U.S. generally accepted accounting principles (“GAAP”), to investors no later than 120 days after the end of each fiscal year. In addition, upon the final liquidation of any such Frazier Fund, Frazier will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to such Frazier Fund to all investors promptly after completion of the audit. Investors will not receive account statements from the bank or other qualified custodian holding physical custody of the Frazier Funds’ assets.

### **Item 16 – Investment Discretion**

Frazier is responsible for implementing each Frazier Fund’s investment objectives and strategies, as set forth in the applicable Frazier Fund’s Governing Documents. Frazier has full discretionary authority over the investment activities of each Frazier Fund pursuant to each Frazier Fund’s Governing Documents. Any limitations on Frazier’s discretionary authority with respect to a Frazier Fund’s investments are set forth in that Frazier Fund’s Governing Documents. Frazier’s investment advice is provided directly to the Frazier Funds and not to investors in the Frazier Funds individually. Frazier is not required to contact investors in the Frazier Funds prior to transacting any business for the Frazier Funds.

To invest in a Frazier Fund, an investor must execute a subscription agreement (or similar agreement) with such Frazier Fund. Investors in a Frazier Fund may seek to impose limitations on Frazier’s authority with respect to such Frazier Fund through “side letter” or similar agreements, and Frazier, in its discretion, may choose to accept limitations or restrictions that it considers to be reasonable and consistent with the general investment strategy described in such Frazier Fund’s Governing Documents.

### **Item 17 – Voting Client Securities**

Frazier has adopted policies and procedures regarding the voting of proxies as is required under Rule 206(4)-6 under the Advisers Act. These policies and procedures are designed to ensure that proxies received with respect to securities in Frazier Fund accounts where

Frazier exercises voting discretion are voted in the best interests of such Frazier Funds and that Frazier maintains records of its proxy voting in compliance with the Advisers Act.

Unless otherwise instructed by an investor, Frazier will vote proxies consistent with general guidelines that Frazier has adopted and which Frazier believes reflect the best interests of its investors, after taking into consideration all relevant facts and circumstances at the time of the vote. Frazier reviews each proposal submitted to the Frazier Funds for a vote on a case-by-case basis. When exercising its voting authority with respect to securities held by a Frazier Fund, Frazier considers information related to the applicable company, evaluates other issues that could have an impact on the value of the Frazier Fund's investment in the applicable company and votes with a view toward maximizing overall value to the Frazier Fund.

Prior to exercising its voting authority, the Frazier related person with primary responsibility for the applicable portfolio company, in consultation with Frazier's Chief Compliance Officer and outside counsel, if appropriate, reviews the relevant facts and determines whether or not a material conflict of interest may arise due to business, personal or family relationships of Frazier or any of its supervised persons or affiliates. If a material conflict exists, Frazier takes steps to ensure that its voting decision is based on the best interests of the applicable Frazier Fund and is not a product of the conflict. Frazier may, at its discretion, (1) seek the advice of the applicable advisory committee of a Frazier Fund (if any) in voting such security; (2) disclose the conflict of interest to the applicable advisory committee of a Frazier Fund and defer to the recommendation of such advisory committee; (3) (in the case of a publicly traded company) defer to the voting recommendation of an independent third party provider of proxy voting services; and/or (4) take such other actions in good faith (in consultation with Frazier's outside counsel, if necessary) which would serve the best interest of the Frazier Fund. Depending on the particular circumstances involved, the appropriate resolution of one conflict of interest may differ from the resolution of another conflict of interest, even though the general facts underlying both conflicts may be similar (or identical).

Frazier will provide to any investor at no cost a copy of these voting policies and procedures and information regarding how the applicable Frazier Fund's proxies have been voted in the past. Investors or prospective investors wishing to receive this information should contact Frazier by telephone during normal business hours.

#### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Frazier's financial condition. Frazier has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.