

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

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**US INNOVATIVE TECHNOLOGY CAPITAL MANAGEMENT, LLC**

**1000 Commerce Drive  
2<sup>nd</sup> Floor  
Pittsburgh, PA 15275  
Telephone: 312-948-9288**

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**March 28, 2024**

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**THIS BROCHURE PROVIDES INFORMATION ABOUT THE QUALIFICATIONS AND BUSINESS PRACTICES OF US INNOVATIVE TECHNOLOGY CAPITAL MANAGEMENT, LLC d/b/a USIT. IF YOU HAVE ANY QUESTIONS ABOUT THE CONTENTS OF THIS BROCHURE, PLEASE CONTACT US AT 312-948-9899. THE INFORMATION IN THIS BROCHURE HAS NOT BEEN APPROVED OR VERIFIED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR BY ANY STATE SECURITIES AUTHORITY.**

**ADDITIONAL INFORMATION ABOUT US INNOVATIVE TECHNOLOGY CAPITAL MANAGEMENT, LLC IS ALSO AVAILABLE ON THE SEC'S WEBSITE AT [WWW.ADVISERINFO.SEC.GOV](http://WWW.ADVISERINFO.SEC.GOV).**

**REGISTRATION AS AN INVESTMENT ADVISER DOES NOT IMPLY A CERTAIN LEVEL OF SKILL OR TRAINING.**

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## **MATERIAL CHANGES**

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US Innovative Technology Capital Management, LLC (“USIT”) previously filed a firm brochure with the U.S. Securities and Exchange Commission (“SEC”), dated January 26, 2023. This brochure has been updated in tandem with the firm’s required ADV Part 1A annual amendment. Since the previous filing of this Brochure, the Advisory Business Section was updated to disclose a newly launched parallel fund vehicle, and to update the amount of assets managed by USIT. There are no further material changes to this brochure to be disclosed at the present time.

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## ADVISORY BUSINESS

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USIT, a Delaware limited liability company, is an investment management and advisory firm based in Pittsburgh, PA. USIT was founded in August 2022 by Thomas Tull, who is the principal owner of the firm.

USIT provides advisory services to a private investment fund structure, US Innovative Technology Fund LP (the “Fund” or “Fund 1”), which seeks to generate long-term capital appreciation through privately negotiated venture capital investments in growth and early-stage companies (“Portfolio Companies”) in the United States that are engaged in the development of technology with application to both the defense industry and the commercial sector. The Fund has been established as a Delaware limited partnership, of which USIT’s affiliate, US Innovative Technology GP, LLC (the “General Partner”), a Delaware limited liability company, is the sole general partner. However, the Fund may also include one or more feeder funds, parallel vehicles and/or investment holding structures where deemed appropriate by USIT and/or the General Partner to facilitate the investment objectives of the Fund and its investors, as further described in the Fund’s offering documents. Currently, USIT also manages a parallel fund vehicle, US Innovative Technology Parallel Fund, LP (the “Parallel Fund” and, collectively with US Innovative Technology Fund LP, the “Funds”), in addition to Fund 1. USIT has discretionary investment authority over the assets of the Funds. In addition, USIT may provide advice to one or more “co-investors” who may invest in Portfolio Companies alongside the Funds from time to time.

Because USIT’s advisory business is currently limited to providing advice to the Funds in accordance with the governing documents of the Funds (and, in some cases, to co-investors that invest in transactions with the Funds), USIT generally does not tailor its advisory services to the individual needs of investors in the Funds, nor can investors impose restrictions on investing in certain securities or types of securities.

As of December 31, 2023, USIT managed \$2,371,399,944 in client assets on a discretionary basis. USIT does not manage any client assets on a non-discretionary basis.

USIT is registered as an investment adviser with the SEC.

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## FEES AND COMPENSATION

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The Funds will pay USIT a quarterly management fee and allocate to the General Partner a performance-based carried interest of an agreed upon amount, which are described in greater detail in the Funds’ offering documents. The amount such compensation was agreed upon by the Funds, USIT and the General Partner, and is set out in the investment management agreement between the Funds and USIT (in the case of USIT’s management fee) and in the Funds’ governing documents (in the case of the General Partner’s carried interest).

For management of the Funds, USIT generally will be entitled to receive a quarterly management fee, payable in advance and equal to two percent (2%) per annum of the aggregate commitments of each Fund’s investors (other than certain affiliated partners, as determined by the General Partner), until the earlier of (i) the date when all of the capital commitments of the Funds’ limited partners (other than certain affiliated partners, as determined by the General Partner) have been invested in Portfolio

Companies or used to pay Fund expenses, and (ii) the fifth anniversary of the Funds' effective date (or earlier upon the occurrence of certain events described in the Funds' governing documents). Thereafter, USIT generally will be entitled to receive a quarterly management fee, payable in advance, equal to one and one-half percent (1.5%) per annum of the aggregate commitments of the Funds' investors (other than certain affiliated partners, as determined by the General Partner). The General Partner may, in its sole discretion, designate certain partners in the Funds as affiliated partners that may be exempted from all or some portion of the management fee.

To the extent USIT or any of its affiliates earns any other fees from Portfolio Companies, such fees will generally be applied to reduce the subsequent installments of the management fee, subject to reimbursement first of USIT or its affiliates for any balance of unreimbursed Fund expenses paid by USIT or its affiliates.

Management fees are paid by capital contributions from investors to the Funds pursuant to draw down notices delivered by the General Partner out of the total amount of capital an investor agrees to contribute to the Funds (*i.e.*, an investor's "capital commitment") or are paid out of cash that is otherwise distributable to the investors in the Funds, including cash held by the Funds after the disposition of a portfolio investment and before the proceeds are distributed to investors (*i.e.*, deducted from the assets of the Fund). Management fees may also be paid out of cash reserves of the Funds.

The General Partner is also entitled to performance-based compensation from the Funds, as described in "*Performance-Based Fees and Side-by-Side Management*" below.

**Investors and prospective investors should carefully review the offering documents of the Funds for further information about the fees charged to investors. Such documents are available only to current investors or prospective investors who are eligible to invest in such entities, as determined in the sole discretion of USIT.**

**Co-Investor Fees.** Under certain circumstances, USIT and/or the General Partner may (or may not) in its discretion: (i) receive performance-based compensation, management fees or other similar fees from co-investors, and USIT and/or the General Partner may make an investment, or otherwise participate, in any vehicle formed to structure a co-investment to facilitate, among other things, receipt of such performance-based compensation, management fees or other similar fees; and (ii) collect customary fees in connection with actual or contemplated Portfolio Company investments that are the subject of such co-investment arrangements. See "*Types of Clients – Co-Investments*," below.

**Transaction Fees and Compensation.** In connection with the investments made by the Funds and the co-investors, various transaction fees are expected to be paid to the General Partner or one or more of its affiliates by Portfolio Companies or other third parties. Subject to the terms of the applicable transaction, such fees may include (i) directors' fees, financial consulting fees or advisory fees paid to the General Partner by a Portfolio Company with respect to any investment in such Portfolio Company; (ii) any transaction fees paid to the General Partner by a Portfolio Company with respect to any investment in such Portfolio Company; and (iii) break-up fees with respect to Funds transactions not completed that are paid to the General Partner by any proposed Portfolio Company. The receipt of fees and other compensation by the General Partner and its affiliates in connection with investments made by USIT's clients creates a potential conflict of interest, as it could be seen as providing an incentive for USIT to cause its clients to make investments they would not otherwise make, or for structuring investments for the purpose of helping the General Partner and/or its affiliates obtain fee compensation at the expense of the deal terms accorded to USIT's clients. To mitigate this potential conflict of interest, USIT and its affiliates will (with limited exceptions) apply any such fees or other compensation that they may receive

to offset any management fees payable by the Fund to USIT, as further described in the Funds' offering documents.

**Other Fees and Expenses.** The Funds will reimburse the General Partner for the Funds' and their affiliated entities' organizational and startup expenses, including travel, printing, legal, capital raising, accounting, regulatory compliance, any administrative or other filings, and other organizational expenses. The General Partner will bear the cost (through an offset against the Management Fee or otherwise) of all such Fund organizational and startup expenses in excess of \$3 million, if any.

The Funds will also pay, or reimburse the General Partner for, all other fees, costs, expenses, liabilities and obligations relating to the Funds and/or its activities, business, Portfolio Companies or actual or potential investments (to the extent not borne or reimbursed by a Portfolio Company or potential Portfolio Company), including all fees, costs, expenses, liabilities and obligations relating or attributable to: (i) activities with respect to the structuring, organizing, negotiating, consummating, financing, refinancing, acquiring, bidding on, owning, managing, monitoring, operating, holding, hedging, restructuring, trading, taking public or private, selling, valuing, winding up, liquidating, or otherwise disposing of, as applicable, the Funds' Portfolio Companies and its actual and potential investments (including follow-on investments) or seeking to do any of the foregoing (including any associated legal, financing, commitment, transaction or other fees and expenses payable to attorneys, accountants, investment bankers, lenders, third-party diligence software and service providers, consultants and similar professionals in connection therewith and any fees and expenses related to transactions that may have been offered to co-investors), whether or not any contemplated transaction or project is consummated and whether or not such activities are successful; (ii) indebtedness of, or guarantees made by, the Funds, the General Partner or any affiliated partner on behalf of the Funds (including any credit facility, letter of credit or similar credit support), including interest with respect thereto, or seeking to put in place any such indebtedness or guarantee; (iii) financing, commitment, origination and similar fees and expenses; (iv) broker, dealer, finder, underwriting (including both commissions and discounts), loan administration, private placement fees, sales commissions, investment banker, finder and similar services; (v) brokerage, sale, custodial, depository, trustee, record keeping, account and similar services; (vi) legal, accounting, research, auditing, administration (including fees and expenses associated with the Funds' third-party administrator and administration or reporting software, if any), information, appraisal, advisory, valuation (including third-party valuations, appraisals or pricing services), consulting (including consulting and retainer fees and other compensation paid to consultants performing investment initiatives and other similar consultants), tax and other professional services; (vii) reverse breakup, termination and other similar fees; (viii) directors and officers liability, errors and omissions liability, crime coverage and general partnership liability premiums and other insurance and regulatory expenses; (ix) filing, title, transfer, registration and other similar fees and expenses; (x) printing, communications, marketing and publicity; (xi) the preparation, distribution or filing of Fund-related or investment-related financial statements or other reports, tax returns, tax estimates, Schedule K 1s, or any other administrative, compliance or regulatory filings or reports or other information, including fees and costs of any third-party service providers and professionals related to the foregoing; (xii) developing, licensing, implementing, maintaining or upgrading any web portal, extranet tools, computer software or other administrative or reporting tools (including subscription-based services) for the benefit of the Funds or its limited partners; (xiii) any activities with respect to protecting the confidential or non-public nature of any information or data; (xiv) activities or proceedings of the Funds' limited partner advisory board (the "LP Advisory Board"), including any reasonable out-of-pocket costs and expenses incurred by representatives of the General Partner, the LP Advisory Board members, permitted observers and other persons in attending or otherwise participating in meetings of the LP Advisory Board; (xv) indemnification (including any fees, costs and expenses incurred in connection with indemnifying any partner or other person pursuant to the Fund's limited partnership agreement (the "Partnership Agreement") and advancing fees, costs and expenses incurred by any such person in defense or settlement of any claim that

may be subject to a right of indemnification pursuant to the Partnership Agreement), except as otherwise set forth in the Partnership Agreement; (xvi) actual, threatened or otherwise anticipated litigation, mediation, arbitration or other dispute resolution process, including any judgment, other award or settlement entered into in connection therewith; (xvii) any annual limited partner meeting or other periodic, if any, meetings of the Limited Partners and any other conference or meeting with any Limited Partner(s); (xviii) except as otherwise determined by the General Partner in its sole discretion, any fee, cost, expense, liability or obligation relating to any alternative investment vehicles established by the Funds to make, restructure or otherwise hold investments (each, an “AIV”) or its activities, business, Portfolio Companies or actual or potential investments (to the extent not borne or reimbursed by a Portfolio Company of such AIV) that would be a Fund expense or organizational expense if it were incurred in connection with the Funds, and any expenses incurred in connection with the formation, management, operation, termination, winding up and dissolution of any feeder vehicles related to the Funds to the extent not paid by the investors investing in such entities; (xix) the termination, liquidation, winding up or dissolution of the Fund or the Parallel Fund; (xx) defaults by partners in the payment of any capital contributions; (xxi) amendments to, and waivers, consents or approvals pursuant to, the constituent documents of the Funds, the General Partner and related entities and any AIV, including the preparation, distribution and implementation thereof; (xxii) complying with any law or regulation related to the activities of the Fund (including regulatory expenses of the General Partner incurred in connection with the operation of the Funds and legal fees and expenses); (xxiii) any litigation or governmental inquiry, investigation or proceeding involving the Fund or the Parallel Fund, including the amount of any judgments, settlements or fines paid in connection therewith, except as set forth in the Partnership Agreement; (xxiv) unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer by a limited partner; (xxv) any taxes, fees and other governmental charges levied against the Fund or the Parallel Fund and all expenses incurred in connection with any tax audit, investigation settlement or review of the Funds; (xxvi) distributions to partners and other expenses associated with the acquisition, holding and disposition of the Funds’ investments, including extraordinary expenses; (xxvii) any fees, costs and expenses attributable to the entrepreneur in residence program; (xxviii) compliance or regulatory matters related to the Funds; (xxix) meetings (one-on-one or otherwise), offsites or summits organized by the General Partner primarily for executives of Portfolio Companies; (xxx) any travel, lodging, meals or entertainment relating to any of the foregoing, including in connection with consummated and unconsummated investment and disposition opportunities; (xxxi) all costs and expenses associated with operating a feeder fund that invests all or substantially all of its assets in the Fund or the Parallel Fund, including all expenses associated with its management, operation, winding-up, liquidating and dissolution and with preparing and distributing such feeder fund’s financial statements, tax returns and feeder fund limited partner reports, but not including any income based or similar taxes, fees or other governmental charges levied against such feeder fund; (xxxii) any Fund or Parallel Fund organizational expenses; and (xxxiii) any other fees, costs, expenses, liabilities or obligations approved by the LP Advisory Board.

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## PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

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The General Partner, which is an affiliate of USIT, also receives performance-based compensation from the Funds as follows: The General Partner will be entitled to receive “carried interest” distributions from the Funds upon distribution of the proceeds from the Funds’ realized investments, as described in greater detail in the Funds’ offering documents. Generally, the distributions due to the General Partner (if any) are determined after the investors in the Funds have received distributions in an amount generally equal to their aggregate capital contributions to the Funds. With respect to any remaining amounts to be distributed after these amounts have been distributed to the investors in the Funds, the General Partner

will be entitled to receive twenty percent (20%) of such amounts (with the balance being distributed to the investors).

The carried interest with respect to the Funds will be subject to a “clawback” upon the final distribution of the assets of the Fund or the Parallel Fund to the extent amounts previously distributed to the General Partner exceed the aggregate amount due to the General Partner as described above. Similarly, the General Partner may require investors to return certain distributions for the purpose of satisfying any Fund or Parallel Fund obligations or liabilities under certain circumstances.

**Conflicts of Interest Related to Performance-Based Compensation.** A significant percentage of appreciation that would otherwise be allocated to the investors in the Funds is paid to the General Partner. Performance-based compensation may create an incentive for USIT to make investments that are riskier or more speculative than they might otherwise select, and may create an incentive for USIT to realize certain investments sooner than is optimal and not sell certain investments that will produce a realized loss.

In addition, it is expected that certain co-investor clients may not pay performance-based compensation to USIT. This gives rise to a potential conflict of interest, as USIT may have an incentive to favor the Fund or the Parallel Fund (which pays performance-based compensation) over such co-investors by, for example, seeking to allocate more profitable opportunities to the Fund or the Parallel Fund. However, USIT believes that this risk is mitigated by the limited nature of its advisory relationship with the co-investors and USIT’s allocation policies. *See “Types of Clients” below.*

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## TYPES OF CLIENTS

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USIT provides investment advice exclusively to the Funds (and certain co-investors that may invest alongside the Fund or the Parallel Fund). USIT and its affiliates may enter into separate agreements, commonly referred to as “side letters,” with certain investors, which would have the effect of establishing rights under, altering, or supplementing the terms (including the economic terms) of the governing documents of the Funds, in a manner more favorable to such investor than those applicable to other investors in the Funds. Such rights or terms pursuant to such agreements may include, without limitation, reduced fees, access to additional information, more favorable liquidity terms and rights to co-investment opportunities, or other rights or terms deemed necessary in light of particular legal, regulatory or tax characteristics of an investor.

Interests in the Fund and the Parallel Fund are offered privately to a limited number of sophisticated investors, including institutional investors (for example, public and private pension funds, governmental plans, insurance companies, banks, and funds of private equity funds, etc.) and other investors who qualify to invest in the Fund because they have a sufficiently high income or net worth (for example, entities with at least \$25 million in investments). The General Partner generally imposes a minimum capital commitment of \$10 million in connection with investing in the Funds although such minimum may be waived in the discretion of the General Partner.

USIT may, in its sole discretion, provide or commit to provide opportunities to co-invest alongside the Funds to one or more limited partners in the Funds and/or other persons, in each case on terms to be determined by the General Partner in its sole discretion. It is anticipated that such co-investors will also primarily consist of sophisticated investors of the type described above.



USIT will be under no obligation to provide co-investment opportunities and may offer a co-investment opportunity to one or more categories of co-investors without offering such opportunity to other categories. Co-investments will generally be made, at the investment level, on economic terms substantially no more favorable to co-investors than those on which the Funds invest and any such co-investment generally will be sold or otherwise disposed of at substantially the same time (and in the case of a partial disposition, in substantially the same proportion) as the Funds' disposition of its interest in such investment and on economic terms at the investment level substantially no more favorable to such co-investors than to the Funds.

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## METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

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USIT's investment program focuses on making privately negotiated venture capital investments in growth and early-stage Portfolio Companies in the United States that are engaged in the development of technology with application to both the defense industry and the commercial sector. USIT focuses on Portfolio Companies that it believes demonstrate potential across various areas of concentration, such as quantum computing, cloud computing, drone technology, artificial intelligence, autonomy, space, direct energy weapons and satellites. The Funds make primarily non-control investments in Portfolio Companies in various stages of their capital development, including providing "acceleration capital" or initial startup capital.

The General Partner, including the General Partner's investment committee (the "Investment Committee"), Advisory Board (the "GP Advisory Board") and/or National Security Advisory Board (the "National Security Advisory Board") apply their industry operating and investment experience, along with their industry relationships, seeking to identify attractive segments of the relevant industries. The General Partner works with industry participants and performs fundamental research to assess market trends and the challenges and opportunities impacting individual segments of these industries. At any point in time, the General Partner is developing and prioritizing a number of segment strategies and seeking to identify, and partner with, experienced managers and other industry participants.

After identifying attractive segments of such industries, the Investment Committee seeks to identify leading businesses that serve these segments, with eventual execution of investment decisions through a combination of strategic investments and acquisitions. For each applicable Portfolio Company investment, the Investment Committee seeks to (i) develop sound, long-term strategic plans to build such Portfolio Company, and (ii) provide management of such Portfolio Company with the financial, intellectual and human capital necessary to execute these strategic plans. The Investment Committee consults with the National Security Advisory Board and GP Advisory Board in connection with the foregoing.

The General Partner's strategic plans often seek to assess market positioning and competitive differentiation. Key components of such strategic plans often include customer and platform diversification, geographic extensions, addition of new, complementary capabilities, cost reductions and efficiency improvements, and management augmentation. Post-acquisition, the General Partner's team collaborates with Portfolio Company management in an effort to ensure that performance meets or exceeds the investment case. The General Partner's operating model consists of frequent interaction with Portfolio Company management with the objective of setting targets, meeting strategy objectives and discussing financial performance.

**Investors and prospective investors should carefully review the offering documents of the Funds for further discussion of its investment objective and strategy. Such documents are available only to**

**current investors or prospective investors who are eligible to invest in such entities, as determined in the sole discretion of USIT.**

**Certain Risk Factors.**

The identification and management of attractive investment opportunities is difficult and involves a significant degree of uncertainty. Potential investors should consider the following risks before investing in any fund or other investment vehicle managed by USIT.

*Nature of Investments.* USIT may invest in a variety of equity and debt securities on behalf of its clients. A majority of its investments will be in equity or equity related investments that by their nature 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 USIT will correctly evaluate the nature and magnitude of the various factors that could affect the value of such investments. The values 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 clients' investments. As a result, clients' performance over a particular period may not necessarily be indicative of the results that may be expected in future periods.

A portion of investments made by USIT on behalf of its clients may be in debt securities, which may be secured or unsecured. In addition, these securities may not be protected by financial covenants or limitations upon additional indebtedness and may have limited liquidity. Debt securities are also subject to other creditor risks, including (i) the possible invalidation of an investment transaction as a "fraudulent conveyance" under relevant creditors' rights laws, and (ii) so called lender liability claims by the issuer of the obligations.

Certain Portfolio Companies may employ considerable leverage, including leverage that may be provided by the Fund, the Parallel Fund, or other clients of USIT. To the extent a client is a subordinate lender or equity investor, the leveraged capital structure of Portfolio Companies will increase the exposure of such client's investments to any deterioration in a Portfolio Company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates. A client's investments may be among the most junior financing in a Portfolio Company's capital structure. If a Portfolio Company is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the principal amount of the client's subordinated debt investment may be at significant risk, and the value of the equity portion of the client's investment in that Portfolio Company may be significantly reduced or eliminated.

USIT's clients may co invest in a Portfolio 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 USIT's client or may be in a position to take action contrary to the client's investment objectives or may default in their co-investment obligations. In addition, USIT's clients may in certain circumstances be liable for actions of third party co-venturers or partners.

Companies in which USIT invests its clients may be subject to contingent liabilities. These liabilities may be material and may include liabilities associated with pending litigation, regulatory investigations or proceedings or environmental actions, among other things. To the extent these liabilities are realized, they may materially adversely affect the value of a Portfolio Company. In addition, if a client has assumed or guaranteed these liabilities, the obligation would be payable from the client's assets, including (in the case of the Fund or the Parallel Fund) unfunded commitments of limited partners. In connection

with the disposition of an investment in private securities, a client may be required to make (and/or provide indemnification with respect to) representations about the business and financial affairs of the Portfolio Company typical of those made in connection with the sale of a business. Clients 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 result in liabilities that must be satisfied by the client, including, in the case of the Fund or the Parallel Fund, the limited partners to the extent of their commitments or distributions received from the Fund or the Parallel Fund.

USIT is likely to make minority equity investments in Portfolio Companies for its clients. Such Portfolio Companies or other equity holders therein may have economic or business interests or goals that are inconsistent with those of clients, and clients may not be in a position to limit or otherwise protect the value of their investments in the Portfolio Companies, although as a condition of making such investments, it is expected that appropriate equity holder rights generally will be sought to protect clients' investments.

*Early-Stage, Venture Capital and Other Pre-Growth-Stage Investments.* USIT's strategy includes targeting early-stage, venture capital and other pre-growth-stage investments. While early-stage, venture capital and other pre-growth-stage investments offer the opportunity for significant capital gains, such investments may involve a higher degree of business and financial risk that can result in substantial or total loss. Early-stage, venture capital and other pre-growth-stage Portfolio Companies may operate at a loss or with substantial variations in operating results from period to period, and many will need substantial additional capital to support additional research and development activities or expansion, to achieve or maintain a competitive position, and/or to expand or develop management resources. Early-stage, venture capital and other pre-growth-stage equity Portfolio Companies may face intense competition, including from companies with greater financial resources, better brand recognition, more extensive development, marketing and service capabilities and a larger number of qualified managerial and technical personnel.

*Portfolio Company Reliance on U.S. Government Defense Spending.* Portfolio Companies may enter into U.S. government contracts, including in connection with defense-related programs with the U.S. Department of Defense, programs with the U.S. Intelligence Community and other departments and agencies. Revenue generated thereunder may constitute a significant portion of a Portfolio Company's business. Changes in U.S. government defense spending for various reasons, including as a result of potential changes in policy positions or priorities, could negatively impact a Portfolio Company's results of operations, financial condition and liquidity. U.S. government policies, budget decisions and appropriation processes are driven by numerous factors including, without limitation: (i) geopolitical events; (ii) macroeconomic conditions; and (iii) the ability of the U.S. government to enact relevant legislation, such as appropriations bills. As a result, U.S. government defense spending levels are subject to a wide range of outcomes and are difficult to predict beyond the near-term due to numerous factors, including the external threat environment, future governmental priorities and the state of governmental finances. Significant changes in U.S. government defense spending or changes in U.S. government priorities, policies and requirements could have a material adverse effect on Portfolio Company results of operations, financial condition and liquidity.

*Non-Controlling Investments.* USIT's clients may hold meaningful minority stakes in privately held Portfolio Companies and in some cases may have limited minority protection rights. In addition, during the process of exiting investments, clients at times may hold minority equity stakes of any size such as might occur if Portfolio Companies are taken public. As is the case with minority holdings in general, such minority stakes that clients may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. Where a client holds a minority stake, it may be more difficult for the client to liquidate its interests than it would be had the client owned

a controlling interest in such Portfolio Company. Even if the client has contractual rights to seek liquidity of the client's minority interests in such Portfolio Companies, it may be very difficult to sell such interests or seek a sale of such Portfolio Company upon terms acceptable to the client, especially in cases where the interests of the other investors in such Portfolio Company have different business and investment objectives and goals.

*Unseasoned Issuers.* USIT may invest a portion of its clients' assets with unseasoned issuers, some of which may have been in operation for only a few years or less. The risks of investing in such companies are generally greater than investments in more established companies or opportunities.

*Risks in Effecting Operating Improvements.* In some cases, the success of USIT's investment strategy will depend, in part, on its ability to effect improvements in the operations of a Portfolio Company. The activity of identifying and implementing operating improvements at Portfolio Companies entails a high degree of uncertainty. In addition, executing operational improvements may divert the attention of key personnel and disrupt normal business. There can be no assurance that USIT and its clients will be able to successfully identify and implement such improvements or that any such successfully implemented improvements will result in a return on invested capital with respect to such Portfolio Company.

*Reliance on Portfolio Company Management.* The success of many of the Portfolio Companies is heavily dependent on the management of such companies. Each Portfolio Company's day-to-day operations will be the responsibility of such company's management team. Although USIT and its affiliates will be responsible for monitoring the performance of each Portfolio Company investment, and USIT generally intends to invest its clients in companies with strong management or recruit strong management to such companies, there can be no assurance that the existing management team, or any successor, will be able to successfully operate a company in accordance with USIT's objectives. Portfolio Companies may need to attract, retain and develop executives and members of their management teams. The market for executive talent can be extremely competitive. Further, the business and operations of software and technology companies in which USIT's clients may invest often experience rapid organizational change that may strain the performance of the Portfolio Companies' management teams. There can be no assurance that the management team of a Portfolio Company on the date an investment is made will remain the same or continue to be affiliated with the company throughout the period the Portfolio Company is held by a client. There can be no assurance that Portfolio Companies will be able to attract, develop, integrate and retain suitable members of its management team, and, as a result, clients may be adversely affected thereby.

*Dependence on Unproven Technologies and Products.* The Portfolio Companies' business plans depend in part upon the successful completion of technologies and or products or identification of one or more markets which require the Portfolio Companies' respective technologies or products. Following this, any success will then depend on the successful development and deployment of the products and technologies which may not work, or may not be economically viable.

*Risks Associated with Management of Growth.* To achieve their projected revenues and other targeted operating results, the Portfolio Companies may be required to rapidly implement and improve operational, financial and management control systems on a timely basis, together with maintaining effective cost controls, and any failure to do so would have a material adverse effect on their business, financial condition and results of operations. The success of their growth plans will depend in part upon their ability to continue to attract, retain and motivate key personnel. Failure to make the required expansions and upgrades could have a material adverse effect on their business, financial condition, results of operations and relationships with their corporate partners. The results of operations for the Portfolio Companies will also be adversely affected if revenues do not increase sufficiently to compensate

for the increase in operating expenses resulting from any expansion and there can be no assurance that any expansion will be profitable or will not adversely affect their results of operations.

*Portfolio Concentration.* A client's portfolio may include a small number of large positions. While this portfolio concentration may enhance total returns to the client, if any large position has a material loss, then returns to the client may be lower than if they had invested in a more diversified portfolio.

A client may provide bridge financing to facilitate Portfolio Company investments. It is possible that all or a portion of a bridge financing will not be recouped within the anticipated time period, in which case the client's portfolio could become more concentrated with respect to such investment than initially expected or agreed.

*Portfolio Company Directors and Director Liability.* USIT may seek to obtain the right to appoint one or more representatives to the board of directors (or similar governing body) of the Portfolio Companies in which it invests its clients. Such representatives will be required to make decisions that consider the best interests of the respective Portfolio Companies. In certain circumstances, for example in situations involving bankruptcy or near insolvency of a Portfolio Company, actions that may be in the best interest of such Portfolio Company (or a third party, such as a creditor) may not be in the best interest of one or more of USIT's clients, and vice versa. Additionally, serving on the board of directors (or similar governing body) of a Portfolio Company exposes such representatives, and ultimately could expose USIT's clients, to potential liability. Not all Portfolio Companies may obtain insurance with respect to such liability, and the insurance that Portfolio Companies do obtain may be insufficient to adequately protect officers and directors from such liability. In addition, involvement in litigation can be time consuming for such persons and can divert the attention of such persons from USIT's investment activities.

*Difficulty of Locating Suitable Investments.* Clients must rely upon the ability of the General Partner to identify, structure and implement investments consistent with the client's investment objectives and policies. There can be no assurance that there will be a sufficient number of suitable investment opportunities to enable USIT to invest all of its clients' committed capital in opportunities that satisfy the clients' investment objectives, or that such investment opportunities will lead to completed investments. Identification of attractive investment opportunities is difficult and involves a high degree of uncertainty. USIT will compete for the acquisition of investments with many other potential acquirers and investors, some of which will have greater resources than USIT and its clients. Such competitors may include other private investment funds as well as individuals, financial institutions and other institutional and strategic investors and acquirers. Furthermore, there can be no assurance that the USIT will correctly evaluate the nature and magnitude of the various factors that could affect the value of its clients' investments. A variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of USIT's investment activities and the value of its clients' investments.

*Projections.* Projected operating results of a Portfolio Company in which USIT invests its clients typically will be based primarily on financial projections prepared by such Portfolio Company's management, with adjustments to such projections made by USIT and its affiliates in their discretion. In all cases, projections are only estimates of future results that are based upon information received from the Portfolio Company and third parties and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

*Unspecified Investments.* Clients will be relying on the ability of USIT and its affiliates to locate and evaluate investments. The activity of identifying, completing and realizing private equity investments involves a high degree of uncertainty and is subject in some cases to the prevailing capital market, regulatory or political environment. There can be no assurance that USIT will be able to locate or complete portfolio investments that satisfy its clients' rate or return objectives or, if completed, realize such investments for fair or attractive values or that clients will be able fully to invest their committed capital.

*Investment Due Diligence.* Before investing in any Portfolio Company, USIT and its affiliates conduct due diligence based on applicable facts and circumstances. As part of this due diligence, USIT and its affiliates may be required to evaluate important and complex business, financial, tax, accounting, technological, environmental, social, governance, ethical, political, legal and regulatory issues. When conducting due diligence and making an assessment regarding a prospective Portfolio Company, USIT and its affiliates rely on the information available to them, which may include information provided by the parties involved in the underlying matter.

USIT and its affiliates have no control over the accuracy or sufficiency of information received from such third parties, and, in some cases, they may have limited experience or no prior dealings with such third parties and may be unable to assess the integrity of such third parties.

The due diligence investigation that USIT and its affiliates carry out with respect to any Portfolio Company may not reveal or highlight all relevant facts (including, without limitation, bribery, fraud or other illegal activities) or risks that would be helpful in evaluating such opportunity. Further, USIT and its affiliates may not identify or foresee future developments that could have a material adverse effect on a client's return on a Portfolio Company. Poor returns on a client's investments in Portfolio Companies due to failures in the due diligence process or unforeseen developments could materially and adversely affect the client's investment results and, in the case of the Funds, the Funds' business, financial condition and results of operations. Clients and Fund investors will not have an opportunity to independently evaluate investments in Portfolio Companies.

*Expedited Transactions.* Investment analyses and decisions by USIT and its affiliates may be undertaken on an expedited basis in order to take advantage of available investment opportunities. In such cases, the information available at the time of an investment decision may be limited, and USIT and its affiliates may not have access to the detailed information necessary for a full evaluation of the investment opportunity. Further, USIT and its affiliates may conduct their due diligence activities in a very brief period and may assume the risks of not obtaining certain consents or waivers under contractual obligations. While USIT expects to negotiate purchase price adjustments, termination rights and other protections, such rights may not be available or, if available, USIT and its affiliates may elect not to exercise them.

*Over-Commitment.* In order to facilitate the acquisition of a Portfolio Company, certain clients (including, without limitation, the Funds) may make (or commit to make) an investment in such Portfolio Company with a view to selling a portion of such investment to co-investors or other persons prior to or within a brief period after the closing of the acquisition. In such event, the acquiring client(s) will bear the risk that any or all of the excess portion of such investment may not be sold or may only be sold on unattractive terms and that, as a consequence, the acquiring client(s) may bear the entire portion of any break-up fee or other fees, costs and expenses related to such investment, hold a larger than expected investment in such portfolio company or may realize lower than expected returns from such investment.

*Follow On Investments.* Clients may be called upon to provide follow up funding for their Portfolio Companies or have the opportunity to increase their investment in such Portfolio Companies. There can

be no assurance that a particular client will wish to make, be offered the opportunity to make, or will have sufficient funds available to make any such follow-on investments. Any decision not to make or inability to make follow-on investments may have a substantial negative impact on a Portfolio Company in need of such an investment or may diminish a client's ability to influence the Portfolio Company's future development.

*Fund Dilution.* Portfolio Companies may require additional capital but not allow USIT clients to contribute additional capital, thus diluting their investment. This may impede clients' ability to meet their investment objectives. Additionally, the Portfolio Companies' requirement of additional capital may occur at times when clients are unable to deploy capital for new or follow-on investments after taking into consideration the changed investment and risk profile in light of such dilution.

*Uncertain Exit Strategies.* USIT and its affiliates will be unable to predict with confidence what, if any, exit strategy will ultimately be available for many of their clients' investments. Exit strategies which appear to be viable when an investment is initiated may be precluded by the time the client disposes of such investment due to economic, legal, political or other factors. The success of USIT's clients depends on the occurrence of value recognition events in the case of a significant number of the Portfolio Companies and securities in which such client invests.

*Leverage and Borrowing.* USIT may make use of leverage and borrowing in its investments on behalf of its clients, subject to any limitations set forth in the constituent documents and/or advisory agreement governing USIT's relationship with such client, including by having a Portfolio Company incur debt to finance a portion of the client's investment in such Portfolio Company (primarily Portfolio Companies that are not rated by credit agencies). Leverage generally magnifies both the opportunities for gain and risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. The use of leverage also imposes restrictive financial and operating covenants on a Portfolio Company, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs. The leveraged capital structure of Portfolio Companies will increase the exposure of a client's investments to any deterioration in a Portfolio Company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of a client's investments in the leveraged Portfolio Companies in a down market. In the event any Portfolio Company cannot generate adequate cash flow to meet debt service, clients invested in such Portfolio Company may suffer a partial or total loss of capital invested in the Portfolio Company, which could adversely affect such clients' returns. Furthermore, should the credit markets be tight at the time USIT determines that it is desirable to sell all or a part of a Portfolio Company for its clients, such clients may not achieve an exit multiple or enterprise valuation consistent with USIT's forecasts.

*Hedging Arrangements.* USIT and its affiliates may (but generally are not obligated to) endeavor to manage a client's or any Portfolio Company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. Where used, a client may incur costs related to such hedging arrangements, which may be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used. In some cases, particularly in OTC contexts, hedging arrangements will subject clients to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved with USIT's investment program or an investment in any fund or account advised by USIT. Prospective clients and investors must consult their own advisers before deciding whether to make such an investment. Investors and prospective investors should carefully review the offering documents of the Funds, which are available only to current investors or prospective investors who are eligible to invest in such entities, as determined in the sole discretion of USIT.

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## DISCIPLINARY INFORMATION

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USIT is required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of USIT or the integrity of USIT's management. USIT has no such information to report.

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## OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

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USIT and its management persons are not registered, and do not have an application pending to register, as a broker-dealer or registered representative thereof, or as a futures commission merchant, commodity pool operator, commodity trading advisor, or associated person thereof. Except as described herein with respect to the General Partner and co-investors, USIT does not have any material relationships with related persons listed in any of the specified categories of financial affiliates required to be disclosed by the SEC, nor does USIT recommend or refer its clients to other investment advisers.

**Other Activities of USIT and Related Persons.** USIT's personnel will work on other projects, including other future funds and other investment vehicles. In addition, USIT's personnel could participate in the management of the investment activities of other funds or other investment vehicles concurrently with their obligations to the Funds. It is possible that the investments held by such other funds or other investment vehicles may be in competition with those of the Funds.

Conflicts of interest may arise because USIT employees (including personnel dedicated to the Funds) will serve as directors, or management committee members, or in a similar capacity, of certain of the Portfolio Companies in which the Funds invest. In general, such director or similar positions are often important to USIT's investment strategy and may have the effect of enhancing the ability of USIT to manage investments. From time to time, Portfolio Company board members will be responsible for approving compensation and other amounts payable to the General Partner in connection with services provided by the General Partner and its affiliates to such Portfolio Company, and, except to the extent such amounts are subject to the Partnership Agreement's offset provision, are in addition to the management fee or carried interest paid by the Funds. The General Partner's authority to appoint or influence the appointment of Portfolio Company board members who may be involved in approving compensation payable to the General Partner subjects the General Partner and any such Portfolio Company board appointees to potential conflicts of interest. Such positions also may have the effect of impairing the ability of USIT to sell the related securities when, and upon the terms, it may otherwise desire.<sup>1</sup>



The General Partner may also, from time to time, employ personnel with pre-existing ownership interests in or who were employed by Portfolio Companies owned by the Fund, the Parallel Fund, or other funds or investment vehicles advised by the General Partner; conversely, former personnel or executives of the General Partner may serve in significant management roles at Portfolio Companies or service providers recommended by the General Partner.

Trading by principals and personnel of USIT (including through co-investment opportunities) is subject to USIT's Code of Ethics and personal trading policy, which seeks to mitigate these potential conflicts of interest. See "*Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*," below.

**Co-Investments.** As noted above in "*Types of Clients*," USIT and its affiliates may provide or commit to provide opportunities to co-invest alongside the Funds to one or more limited partners in the Funds and/or other persons, in each case on terms to be determined by the General Partner in its sole discretion. The establishment and existence of co-investment relationships, and the participation by USIT and its affiliates in any such co-investments, may create certain conflicts of interest. These are addressed as described in "*Types of Clients*" above.

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## CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

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**Code of Ethics.** USIT has implemented 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 includes provisions relating to the standards of business conduct required of USIT employees, personal securities trading procedures, and reporting of violations of the Code of Ethics, among other things. All supervised persons at USIT are required to acknowledge the terms of the Code of Ethics annually, or as amended. A copy of USIT's Code of Ethics may be obtained upon request from USIT's Chief Compliance Officer.

USIT's employees and persons associated with USIT are required to follow USIT's Code of Ethics in connection with their personal trading activities. Subject to satisfying this policy and applicable laws, officers, directors and employees of USIT and its affiliates may be permitted to invest for their own accounts and participate in co-investment transactions involving securities that are purchased for clients, as described above in "*Other Financial Industry Activities and Affiliations – Co-Investments*." The Code of Ethics is designed to assure that the personal transactions, activities and interests of the employees of USIT will not interfere with (i) making decisions in the best interest of clients and (ii) implementing such decisions while at the same time allowing employees to invest for their own accounts. The Code of Ethics requires pre-clearance of certain transactions (including investments in private placements) for the personal securities accounts of USIT's "access persons" by appropriate personnel of USIT and requires that the interests of clients be placed ahead of those of USIT employees in their personal trading. Separately, the LP Advisory Board may be required to approve investments by the Fund in certain transactions involving USIT or an affiliate, which further mitigates the potential conflicts of interest related to such transactions. Nonetheless, because the Code of Ethics in some circumstances permits 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 regularly monitored under the Code of Ethics, in an effort to prevent conflicts of interest between USIT and its clients.

**Principal Transactions.** The General Partner and/or its principals and affiliates (each, a “GP Related Person”) may engage in principal transactions with the Funds, including, but not limited to, in connection with transactions “warehoused” by them for later sale to the Funds. In a principal transaction, the Funds will buy securities in Portfolio Companies from or sell securities in Portfolio Companies to a GP Related Person. A GP Related Person engaging in a principal transaction with the Funds may face various conflicts of interest, including, but not limited to, the fact that the GP Related Person may have an incentive to (i) value the relevant Portfolio Company securities or other assets in principal transactions in a manner that advantages the GP Related Person; (ii) sell unwanted Portfolio Company securities from the GP Related Person to the Funds; or (iii) cause the GP Related Person to acquire desirable Portfolio Company securities from the Funds.

Pursuant to Section 206(3) of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), any principal trade must be disclosed to, and requires the consent of, the client(s) who are party to such trade. In connection with Principal Transactions, the General Partner will seek the consent of the LP Advisory Board, the Funds’ limited partners or another independent third-party to whom such limited partners have delegated their approval rights.

**Cross Trades.** USIT may effect cross trades between clients where it determines that such trades are in the interest of both clients. Effecting cross trades may increase transaction costs and may result in the Fund or the Parallel Fund holding less of a profitable investment, or more of an unprofitable investment, than would be the case if there were no cross trades. USIT and/or its affiliates may have a potential conflict of interest when engaging in cross trades on behalf of its clients, as they may have financial incentives (such as the receipt of higher management fees or fees related to the purchase or sale transaction) to engage in such transactions and/or to favor certain client accounts over others.

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## BROKERAGE PRACTICES

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As described above, the majority of the investment transactions entered into by USIT on behalf of its clients are privately negotiated investment transactions with target Portfolio Companies. However, in the event that USIT purchases or sells publicly traded securities on behalf of its clients, it may use the services of a broker-dealer or prime broker, and may also use broker-dealers in identifying and effecting the Funds’ private investment transactions. In such event, USIT (including, for purposes of this section, any affiliate thereof) will select the broker-dealers used to execute transactions on behalf of such client.

USIT has discretion to select different brokers to be used for each transaction for their clients and to negotiate the rates and commissions its clients will pay. When engaging the services of brokers, USIT may, subject to best execution, take into consideration a variety of factors, including, to the extent applicable, the ability to achieve prompt and reliable execution, competitive pricing, transaction costs, operational efficiency with which transactions are effected, access to deal flow and precedent transactions, and the financial stability and reputation of the particular broker, as well as other factors that USIT deems appropriate to consider under the circumstances. Brokers may provide other services that are beneficial to USIT and its affiliates, but that are not necessarily beneficial to the Funds, including capital introductions, other marketing assistance, client and personnel referrals, consulting services, and research-related services. These other services and items may influence USIT’s selection of brokers.

**Research and Other Soft Dollar Benefits.** USIT currently has no soft dollar arrangements with any broker in connection with securities transactions undertaken on behalf of its clients. However, USIT may receive proprietary research from broker-dealers used to execute securities transactions. To the best of

USIT's knowledge, these services are generally made available to all institutional investors doing business with such broker-dealers. USIT will not separately compensate such broker-dealers for the research and does not pay higher transaction costs to receive such services.

**Aggregation and Allocation of Client Orders/Investments.** As noted above, USIT's investments on behalf of its clients do not customarily involve the execution of securities transactions by a broker-dealer or prime broker. With respect to the privately negotiated lending and investment transactions undertaken by USIT, USIT has an established methodology for the allocation of such investments among the Funds and co-investors, where applicable. *See "Other Financial Industry Activities and Affiliations."*

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## REVIEW OF ACCOUNTS

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**Account Reviews.** The Funds have engaged a third-party fund administrator to provide day-to-day administrative and bookkeeping services to the Fund. The investments of the Fund are regularly reviewed by USIT's portfolio managers. In addition, the bookkeeping records maintained by the fund administrator are reconciled to USIT's records by USIT's operations personnel, generally on a quarterly basis.

**Client Reporting.** USIT furnishes audited financial statements annually to all investors in the Fund. On a quarterly basis, each investor in the Fund is provided with unaudited Portfolio Company information. Investors also receive investment information for each of the Portfolio Companies on both an annual and quarterly basis.

Specific reviews and reporting to co-investors generally will be agreed upon between USIT and the applicable co-investor.

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## CLIENT REFERRALS AND OTHER COMPENSATION

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**Client Referrals.** USIT does not currently compensate any third parties for client referrals. However, USIT or its affiliates may in the future engage duly qualified placement agents to solicit prospective investors for the Funds.

**Receipt of Compensation.** Except as described below, USIT does not accept economic benefits from a person who is not a client for providing investment advice or other advisory services to the Funds. USIT or its affiliates may receive directors' fees, financial consulting fees, advisory fees, transaction fees, break-up fees or other fees in connection with Portfolio Company investments or prospective Portfolio Company investments of the Funds. Typically, the management fees payable by each investor in the Funds will be reduced by its pro rata share of any such other fees received by USIT or its affiliates in connection with Portfolio Company investments or prospective Portfolio Company investments of the Funds. *See "Fees and Compensation."*

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## CUSTODY

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USIT has "custody" of the funds and securities of the Funds and is generally expected to have "custody" of the funds and securities of its "co-investor" clients, within the meaning of Rule 206(4)-2 under the

Advisers Act (the “Custody Rule”). In light of the Funds’ intended investment program and nature of “co-investments,” it is anticipated that a substantial portion of the Funds’ and the co-investors’ assets will be invested in “privately offered securities,” meaning securities that are acquired from the issuer in a transaction or chain of transactions not involving any public offering, and transferable only with prior consent of the issuer or holders of the outstanding securities of the issuer. In addition, such privately offered securities are either (i) uncertificated, with ownership thereof recorded only on the books of the issuer or its transfer agent in the name of the Fund or the Parallel Fund; or (ii) evidenced by a non-transferable stock certificate or “certificated” partnership or limited liability company interest (A) that cannot be used to effect a change in beneficial ownership of the underlying security, (B) the existence (or non-existence) of which does not impact the holder’s ownership interest in such security, and (C) that can be replaced by the issuer if lost or destroyed because the holder’s ownership of the relevant security is reflected on the books and records of the issuer or its transfer agent.

Privately offered securities of the type described above are not required to be held with a “qualified custodian,” as defined under the Custody Rule. However, to the extent that the Fund, the Parallel Fund, or any co-investor client holds other funds or securities (not otherwise exempt from such requirement) of which USIT is deemed to have “custody” under the Custody Rule, such funds and securities will be maintained at one or more “qualified custodians.” A “qualified custodian” generally is a bank or savings association that has deposits insured by the U.S. Federal Deposit Insurance Corporation, an SEC-registered broker-dealer, a futures commission merchant or a foreign financial institution that holds segregated customer assets. An independent public accountant audits the Funds(and, when USIT has custody of a co-investor’s funds or securities, the co-investment vehicle) on an annual basis, and copies of the audited financial statements are sent to the investors in the Funds (or co-investment vehicle, as applicable), as described above in “*Review of Accounts*.”

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## INVESTMENT DISCRETION

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USIT exercises discretionary authority over the accounts of the Funds. USIT has received discretionary authority from the Funds at the outset of the advisory relationship through the constituent documents of the Funds, to select the investments and amounts to be bought or sold for the Funds. However, such discretion is to be exercised in a manner consistent with the stated investment objectives for the Fund and the Funds’ governing documents. USIT is similarly expected to exercise discretionary authority over the accounts of its co-investor clients, subject to such terms and objectives as may be agreed with each such client.

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## VOTING CLIENT SECURITIES

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USIT has been delegated the authority to vote proxies with respect to securities owned by its clients. USIT has conflicts of interest where USIT or its principals have a substantial business relationship with the portfolio company and the failure to vote in favor of company management could harm USIT’s relationship with management. Conflicts also arise in the event a senior executive of a portfolio company and a principal of USIT have a significant personal relationship that could affect how USIT would vote on a matter relating to the portfolio company.

USIT has implemented policies and procedures which USIT believes are reasonably designed to (i) ensure that it votes proxies in the best interests of its clients and (ii) recognize and resolve any material

conflicts of interest that may arise in the course of such voting. The general policy of USIT is to vote proxy proposals, amendments, consents or resolutions relating to the Fund in a manner that serves the best interest of the Fund, as determined by USIT in its discretion, and USIT's Code of Ethics, taking into account relevant factors, such as (but not limited to) the impact on the value of the returns of the Funds and industry and business practice.

If USIT determines that it has, or may be perceived to have, a conflict of interest when voting a proxy, USIT will take action in accordance with the governing documents of the Funds or as otherwise determined by USIT to be in the best interest of the Funds in voting such proxy.

Clients may obtain a copy of USIT's complete proxy voting policies and procedures and information about how USIT voted any proxies on behalf of their account(s) by contacting USIT's Chief Compliance Officer.

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### **FINANCIAL INFORMATION**

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USIT is required to provide you with certain financial information or disclosures about its financial condition. USIT 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.

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