

**Form ADV Part 2A: FIRM BROCHURE**



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This brochure provides information about the qualifications and business practices of Arthur Ventures Management 2, LLC (“Arthur Ventures”). If you have any questions about the contents of this brochure, please contact us at (612) 552-6792 or [jeff@arthurventures.com](mailto:jeff@arthurventures.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Arthur Ventures is a registered investment adviser. Registration of an investment adviser with the SEC does not imply a certain level of skill or training.

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

## Item 2 – Material Changes

There are no material changes since the initial filing of Arthur Ventures’ brochure (the “Brochure”) on April 14, 2023.

While not material, Arthur Ventures routinely makes changes throughout its Brochure to improve and clarify the descriptions of its business practices and compliance policies and procedures or in response to evolving industry best practices and Firm practices. In this year’s filing, the following Items have been updated, in addition to certain immaterial changes and/or conforming changes related to the following:

- Item 4: updated to reflect regulatory assets under management as of December 31, 2023 and
- Item 8: updated to reflect additional risk factors and potential conflicts of interest.

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## **Item 4 – Advisory Business**

### **Firm Business**

Arthur Ventures Management 2, LLC and its relying adviser, Arthur Ventures Management, LLC (“Arthur Ventures” or the “Firm”) is a venture capital firm which invests in business-to-business software and services companies based in the US and Canada primarily at the early growth and growth stages. Based in Minneapolis, Arthur Ventures Management 2, LLC was founded in 2023 and Arthur Ventures Management, LLC was founded in 2013.

Arthur Ventures serves as the investment adviser for, and provides discretionary investment advisory services to, private funds exempt from registration under the Investment Company Act of 1940 (the “Investment Company Act”).

Each Fund is affiliated with a general partner (“General Partner”) with authority to make investment decisions on behalf of the Funds. The General Partners are deemed registered under the Investment Advisers Act of 1940, as amended, and the rules and regulations promulgated thereunder (“Advisers Act”), pursuant to Arthur Ventures’ registration in accordance with SEC guidance. The applicable General Partner retains investment discretion and investors in the Funds do not participate in the control or management of the Funds. While the General Partners maintain ultimate authority over the respective Funds, Arthur Ventures and the relying adviser have been designated the role of investment advisers. References to Arthur Ventures throughout this Brochure also refers to the General Partners, as the context requires. For more information about the Funds, General Partners and relying adviser, please see Arthur Ventures’ Form ADV Part 1, Schedule D, Section 7.A., Section 7.B.(1) and Schedule R.

### **Advisory Services**

Arthur Ventures provides investment advisory services as a venture capital fund manager to its Funds. The Funds invest through privately negotiated transactions in operating companies, generally referred to as “portfolio companies”, in the business-to-business software industry. Each portfolio company has its own independent management team responsible for managing its day-to-day operations. In certain cases, members of Arthur Ventures or representatives appointed by Arthur Ventures serve on the boards of directors of, or otherwise act to influence control of the management of, such portfolio companies. Arthur Ventures’ investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions of such investments. Investments are made predominantly in nonpublic companies, although investments in public companies are permitted in certain instances. Specifically, on occasion, an Arthur Ventures portfolio company has been purchased by a public company or an Arthur Ventures portfolio company has gone public through an initial public offering.

Arthur Ventures’ investment advice and authority for each Fund is tailored to the investment objectives of that Fund; Arthur Ventures does not tailor its advisory services to the individual needs

of investors in its Funds. The Fund investment objectives are described in and governed by, as applicable, the limited partnership agreement, subscription agreements, side letter agreements and other governing documents of the relevant Fund (collectively, “Governing Documents”). Investors determine the suitability of an investment in a Fund based on, among other things, the Governing Documents. The Firm does not seek nor require investor approval regarding each investment decision.

Fund investors generally cannot impose restrictions on investing in certain securities or types of securities, other than through side letter agreements. Investors in the Funds participate in the overall investment program for the applicable Fund and generally cannot be excused from a particular investment except in certain circumstances pursuant to the terms of the applicable Governing Documents. In accordance with industry common practice, Arthur Ventures has entered into side letters or similar agreements with certain investors including those who make substantial commitments of capital, or for other reasons in the sole discretion of Arthur Ventures, in each case that have the effect of establishing rights under, or altering or supplementing, a Fund’s Governing Documents. Examples of side letters entered into include provisions whereby investors have expressed an interest in participating in co-investment opportunities or participating in a future fund, notification provisions, advisory committee representation, reporting requirements and “most favored nations” provisions, among others. These rights, benefits or privileges are not made available to all investors, consistent with the Governing Documents and general market practice. Commencing in March 2025, Arthur Ventures will make required disclosure of certain side letters to all investors (and in certain cases, to prospective investors) in accordance with the new Private Fund Rule. Side letters are negotiated at the time of the relevant investor’s capital commitment, and once invested in a Fund, investors generally cannot impose additional investment guidelines or restrictions on such Fund. There can be no assurance that the side letter rights granted to one or more investors will not in certain cases disadvantage other investors.

Arthur Ventures does not participate in wrap fee programs.

### **Principal Owners**

Arthur Ventures Management 2, LLC is controlled and ultimately owned by Managing Directors Patrick Meenan and Ryan Kruizenga. Arthur Ventures Management LLC is controlled by Messrs. Meenan and Kruizenga and is ultimately owned by Messrs. Meenan, Kruizenga and Founding Partner James Burgum. For more information about Arthur Ventures’ owners and executive officers, see Arthur Ventures’ Form ADV Part 1, Schedule A, Schedule B and Schedule R.

### **Regulatory Assets Under Management**

As of March 31, 2023, Arthur Ventures managed approximately \$1.478 billion in Fund regulatory assets under management, all managed on a discretionary basis.

## **Item 5 – Fees and Compensation**

Arthur Ventures receives a management fee and its affiliated General Partners are allocated carried interest as compensation for providing investment advisory services to the Funds. Differences in fees and expenses exist from Fund to Fund, and certain Funds do not charge certain fees or expenses that other Funds charge or charge them in different amounts. The following is a general description of fees and expenses of the Funds. Investors should refer to the Governing Documents of the applicable Fund for a complete understanding of how Arthur Ventures is compensated for its advisory services; the information contained herein is a summary only and is qualified in its entirety by such documents.

### **Management Fees**

Arthur Ventures charges each Fund a management fee (the “Management Fee”) based on a percentage per annum of non-affiliated investor’s commitments, which percentage differs by Fund. Generally, Management Fees are initially charged up to 2.5% of each non-affiliated investor’s committed capital for the period of time during which each Fund is actively investing prior to existence of a successor Fund; thereafter, the Management Fee percentage is reduced as per the Governing Documents of each Fund.

Assessed semi-annually in advance (and paid partially in advance and partially in arrears), the Management Fee charged to each Fund is described in full detail in the relevant Fund’s Governing Documents. All Management Fees were negotiated with investors during the fundraising period of the applicable Fund and are not subject to negotiation thereafter.

The General Partners are permitted, in their sole discretion, to reduce or waive all or a portion of the Management Fee. Management Fees differ from one Fund to another as well as among investors in the same Fund. Some Funds do not charge a Management Fee and Management Fees are generally waived for Arthur Ventures employees (including employees investing in a Fund through a General Partner), affiliates and their respective families investing in a Fund (although in each case, these investors generally pay their pro rata share of certain Fund expenses).

### **Carried Interest**

Each Fund’s General Partner is entitled to be allocated carried interest (“Carried Interest”) with respect to the Funds, which is generally equal to 20% of all realized profits net of all expenses. Each Fund’s Carried Interest arrangement differs and is further described in full detail in the relevant Fund’s Governing Documents and more briefly in Item 6, below.

### **Fund Expenses**

Each Fund is governed by its own Governing Documents, which details a description of expenses for such Fund. While differences exist among Funds, the following is a description of expenses generally charged to each Fund. The Funds will pay all expenses of operating the Funds and its subsidiaries’

and intermediate entities' including (but not limited to) all costs and expenses incurred in (i) the diligencing, holding, purchase, sale or exchange of assets (whether or not ultimately consummated and whether or not attributable to co-investment opportunities which were not ultimately consummated), including, but not limited to, private placement fees, finder's fees, interest on and fees and expenses arising out of borrowed money, real property or personal property taxes on investments, including documentary, recording, stamp and transfer taxes, brokerage and investment banking fees or commissions, or other similar charges (including any merger fees payable to third parties), (ii) travel (and related expenses) (excluding private or chartered travel) incurred in investigating, purchasing, managing or selling securities, (iii) legal fees and expenses, (iv) expenses incurred in connection with the examination, investigation, prosecution or defense of any claims by or against a Fund, a General Partner or Arthur Ventures, including claims by or against a governmental authority, (v) audit and accounting fees, (vi) fees for outside appraisers and independent asset valuations services and software, (vii) costs and expenses incurred for research services and publications, including software and legal fees for investment-related research, (viii) consulting fees relating to investments or proposed investments, (ix) travel and expenses for conference attendance relating to investments or proposed investments, (x) taxes applicable to the Funds on account of their operations, (xi) fees and expenses incurred in connection with the maintenance of bank or custodian accounts, (xii) investment-related expenses for investments that are not consummated, and (xiii) all expenses incurred in connection with the registration of the securities held by the Funds under applicable securities laws or regulations. The Funds shall also bear (a) expenses incurred by a General Partner in serving as the partnership representative (as described in the limited partnership agreement), (b) any sales or other taxes or government charges which may be assessed against a Fund, (c) the cost of liability and other premiums for insurance protecting a Fund, its General Partner, Arthur Ventures, an advisory committee and their respective partners, members, stockholders, managers, managing directors, officers, directors, trustees, employees, agents or affiliates in connection with the activities of a Fund or the loss of a Managing Director, (d) all out-of-pocket expenses of preparing and distributing reports to investors including costs of the investor portal, investment monitoring and any other accounting software or subscription services, (e) out-of-pocket expenses associated with Fund communications with investors, including preparation and distribution of annual, quarterly or other reports to the investors including software and subscription services, (f) costs associated with Fund meetings or meetings with any investors (whether in-person or virtual), events for investors or advisory committee matters (including travel-related costs, event and conference-related costs and legal fees), (g) expenses of the members of an advisory committee (including travel-related costs and expenses), (h) all legal, accounting, tax, audit, consulting and professional services fees and expenses (including tax preparation and public relations) relating to a Fund and its activities, (i) bookkeeping services, fees and expenses relating to outsourced finance, reporting, administration, accounting and back office and administrative services including software and subscription services, (j) out-of-pocket fees and expenses related to regulatory compliance of a Fund, its General Partner and Arthur Ventures (excluding registration and ongoing compliance of Arthur Ventures as a registered investment adviser), (k) all fees, costs and expenses relating to litigation and threatened litigation involving a Fund, including a Fund's indemnification obligations pursuant to the partnership agreement, (l) arbitration

expenses and all expenses that are not normal and recurring operating expenses and (m) all other expenses deemed properly chargeable to the activities of a Fund at the discretion of a General Partner. Out-of-pocket expenses associated with unconsummated transactions (“broken deal expenses”) are paid by the relevant Fund(s) selected as proposed investors in such transaction. For information on Arthur Ventures’ brokerage practices and fees, please see Item 12, below.

### **Offering and Organizational Expenses**

Each investor will bear its pro rata share of a Fund’s expenses incurred in connection with the organization of the Fund (“Organizational Expenses”). The amount and type of Organizational Expenses varies by Fund and is further detailed in the Governing Documents of such Fund.

### **Allocation of Expenses**

In good faith and in its fair and reasonable discretion, Arthur Ventures determines on a case-by-case basis whether an expense should be borne by the Firm, a Fund or multiple Funds. Some expenses are incurred on an aggregate basis for the benefit of multiple Funds and/or Arthur Ventures. The aggregate cost of such expenses are allocated in a fair and reasonable manner and in Arthur Ventures’ sole discretion. To the extent that the Governing Documents do not expressly provide for a method of allocation or to the extent that an invoice does not relate to a specific Fund, Arthur Ventures will typically allocate common expenses among multiple Funds on a pro rata basis (considering both commitments and fund count) and in accordance with its policies and procedures on expense allocation, unless another method is more equitable.

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

A carried interest allocation represents an adviser’s compensation based on a percentage of net profits of the funds it manages. The relevant General Partner is entitled to receive a Carried Interest allocation on certain realized profits in the Funds equal to up to 20% of all realized profits and subject to reimbursement of all capital called to pay relevant Fund expenses, including Management Fees. Each Fund’s Carried Interest calculation differs and is further described in the relevant Fund’s Governing Documents received by each investor prior to investment in such Fund.

These performance fee arrangements have been structured subject to Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. The General Partner of each Fund, in its sole discretion, is permitted to waive or reduce the amount of Carried Interest for certain investors in a Fund. Specifically, if principals, employees and affiliates are investors in a Fund, they will generally pay reduced Carried Interest or none at all.

The fact that a General Partner’s Carried Interest allocations are based on the performance of each Fund can create an incentive for Arthur Ventures to make investments that are more speculative than would be the case in the absence of such distributions. The Firm believes this incentive is sufficiently mitigated, however, due to the fact that: (i) the applicable Governing Documents create limitations



on the ability of Arthur Ventures to establish new investment funds; (ii) the Funds are subject to certain contractual provisions requiring parallel Funds to purchase and sell investments contemporaneously if they share an investment through a contemporaneous initial investment; (iii) any losses a Fund sustains will reduce the General Partner's Carried Interest distribution; (iv) Carried Interest is generally calculated only after investors have received as distribution 100% of their capital contributions; (v) a General Partner often makes a substantial commitment to a Fund to invest its own capital alongside the investors; and (vi) Arthur Ventures' ability to attract future investors is tied to the performance of its investments. Arthur Ventures generally considers performance-based compensation to better align its interests with those of its investors, particularly in instances where the Governing Documents include terms requiring clawback or giveback of performance-based compensation amounts at the end of the relevant Fund's life or at certain interim intervals.

Arthur Ventures manages multiple Funds with similar investment strategies on a side-by-side basis. Management of multiple vehicles on a side-by-side basis has the potential to create conflicts of interest with regard to Arthur Ventures' allocation of investment opportunities, expenses, time and attention of advisory personnel and consideration for certain transactions. Although Arthur Ventures generally makes new investments for a Fund with the same investment objectives only after a predecessor Fund is substantially invested or committed as more fully described in the applicable Fund's Governing Documents, management of side-by-side Funds can create an incentive for the Firm or its personnel to favor a Fund in which Arthur Ventures or an affiliate has a greater financial interest. To help minimize such conflicts of interest, Arthur Ventures allocates investment opportunities which satisfy the investment parameters of more than one Fund in accordance with Arthur Ventures' policies and procedures regarding investment allocation and the applicable Governing Documents. Arthur Ventures' procedures are designed to ensure that all investment decisions are made in accordance with Arthur Ventures' fiduciary duties to its Funds and without consideration of Arthur Ventures' (or its affiliates' or employees') pecuniary interest. Arthur Ventures will not allocate investment opportunities based in whole or in part on the relative fee structure or amount of fees paid by any Fund or the profitability of any Fund. Investment allocation decisions are determined by the investment committee.

## **Item 7 – Types of Clients**

Arthur Ventures provides investment advice to its Funds. The Funds limit their respective investors to: (i) "accredited investors" as defined in the Securities Act of 1933 ("Securities Act"), and (ii) "qualified purchasers" or "knowledgeable employees," each as defined in the Investment Company Act, or (iii) if applicable, "qualified clients," as defined in the Advisers Act. Investors in the Funds must also meet certain other suitability qualifications prior to making an investment in a Fund. The Funds are not registered or required to be registered under the Investment Company Act, are not made available to the general public, their securities are not registered or required to be registered under the Securities Act and Fund interests are privately placed to qualified investors. Qualified investors include individuals or entities to which Fund interests are permitted to be sold, which generally includes (i) in the United States, people or organizations who meet certain net worth, income

and/or financial sophistication requirements as described above or (ii) in other countries, as permitted by the relevant securities laws in such jurisdiction and in compliance with any foreign offering provisions applicable to Arthur Ventures and/or the Funds. The Funds typically require capital commitments from each investor of at least \$250,000, depending on the Fund, although the applicable Fund's General Partner has, in its sole discretion, accepted lesser amounts.

The investors participating in the Funds include high net worth individuals, other investment entities, university endowments, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations, fund of funds, corporations, limited partnerships, limited liability companies or other business entities and typically include, directly or indirectly, principals or other employees of Arthur Ventures and its affiliates and members of their families.

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

### **Strategy**

An early growth capital adviser, Arthur Ventures focuses on business-to-business software and services companies located in the US and Canada. Typically the first institutional investor in a portfolio company, the Firm targets revenue-stage growth companies with at least \$500,000 in annual recurring revenue that have displayed, in some manner, a history of capital efficiency.

There can be no assurance that Arthur Ventures will achieve the investment objectives of the Funds and a loss of investment is possible.

### **Risks**

An investment in the Funds involves a high degree of risk, including the risk of a partial or total loss of capital, and investors must be prepared to bear capital losses which might result from investments. An investment in the Funds is speculative, illiquid and long-term in nature, and is suitable only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in the Funds. Different or new risks not addressed below will likely arise in the future and, therefore, the following list is not intended to be exhaustive. Risks and potential conflicts of interest include, but are not limited to, the following:

*Investing in Emerging Growth Software Companies.* The Funds invest in emerging growth and other software companies or companies with interests in these companies. These companies are often characterized by short operating histories, new technologies and products, evolving markets, intense competition and management teams that may have limited experience working together. The products of emerging growth software companies, and of other companies in which the Funds invest, may be unproven at commercial scale. A portfolio company's ability to succeed will be dependent not only upon its ability to develop the right products for the right market, but to constantly evolve its business to be sure that its products keep pace with changing technologies and markets. Such a portfolio company will need to implement appropriate sales and marketing, software engineering, finance, personnel and other

operational strategies in order to become and remain successful. In addition, emerging growth companies may be more susceptible to macroeconomic effects and industry downturns, including those resulting from acts of terrorism or war. Such investments can experience failure or substantial declines in value at any stage. There is no assurance that such investments by the Funds will be successful.

*Investments in Early-Stage Companies.* The Funds will invest in the securities of early-stage companies which involve greater risks than are generally associated with investments in more established companies. Less established companies tend to have less revenue, be loss-making, have a lower capitalization and fewer resources and, therefore, are often more vulnerable to financial failure. Such companies also tend to have shorter operating histories on which to judge both past and future performance.

*Competitive Market for Investment Opportunities.* The activity of identifying, completing and realizing attractive early-stage investments is competitive and involves a high degree of uncertainty. There can be no assurance that a Fund will be able to complete investments which satisfy the Fund's rate of return and/or capital deployment objectives. Additionally, many of a Fund's competitors have financial resources and staffing that are substantially greater than those of the Arthur Ventures' Funds.

*Illiquidity of Investments.* The Funds intend to invest in companies the securities of which are not, at the time of investment, and may never be, publicly traded. These investments can be difficult to value and to sell or otherwise liquidate and the risk of investing in such companies is generally greater than the risk of investing in publicly traded companies. To the extent there is no liquid trading market for investments, a Fund may be unable to liquidate investments or be unable to do so in a timely and/or profitable manner. In some cases, a Fund and, if securities of portfolio companies are distributed in kind, investors, may be prohibited by contract or under securities laws from selling securities of portfolio companies.

*Long-Term Investments.* It is expected that the return of capital and the realization of gains, if any, from an investment generally will occur only upon partial or complete disposition of such investment. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the investment is made.

*No Market for Interests; Restrictions on Transfer.* The interests in the Funds have not been registered under the Securities Act or the securities laws of any state. It is not contemplated that registration of the interests under the Securities Act or other securities laws will ever be effected. There is no public market for the interests nor is one expected to develop. An investor will not be permitted to assign, sell, exchange or transfer its interest without the prior written consent of the General Partner. Investors must be prepared to bear the risk of owning an interest for an extended period of time.

*Reliance on Management of Portfolio Companies.* There can be no assurance that the management of portfolio companies will be able to operate their companies successfully. While the General Partners expect to monitor investment results and interact with portfolio companies at the board level and/or

with their respective management teams, portfolio company management will ultimately be responsible for day-to-day operations and the implementation of appropriate internal controls. To the extent that the management of a portfolio company performs poorly, or a key manager of a portfolio company terminates his or her employment with such company, a Fund's investment in such company could be adversely affected.

*Non-Controlling Investments.* It is probable that a Fund will hold non-controlling interests in portfolio companies and, therefore, may have a limited ability to protect its position in such portfolio companies, although, as a condition of investment in a company, it is expected that appropriate shareholder rights generally will be sought to protect a Fund's investment.

*Availability of Investment Capital.* Portfolio companies will often require multiple rounds of capital infusion before reaching maturity or otherwise providing a liquidity event to the Funds. The Funds and other investors in any particular portfolio company may not provide all necessary follow-on capital to such portfolio company. Accordingly, third-party sources of financing may be required. There is no assurance that such additional sources of financing will be available, or, if available, will be on beneficial terms. Furthermore, each Fund's capital is limited and may not be adequate to protect such Fund from dilution resulting from multiple rounds of portfolio company financings. Such dilution may result from investments in such portfolio company by another Fund. If a Fund does not have capital available to participate in subsequent rounds of financing, failure to participate may have a significant negative impact on the portfolio company as well as the value of such Fund's investment.

*Contingent Liabilities on Disposition of Portfolio Investments.* In connection with the disposition of an investment in a portfolio company, a Fund is often required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of any business. It may also be required to indemnify the purchasers of such investment with respect to certain liabilities or to the extent that any such representations are inaccurate. These arrangements may result in contingent liabilities, which might ultimately have to be funded by investors to the extent that investors have received prior distributions from a Fund. The relevant limited partnership agreement includes provisions to the effect that, if there is any such claim in respect of a portfolio company, it will be funded by the investors (subject to the limits contained in the limited partnership agreement) to the extent that they receive any proceeds from the sale of such portfolio company.

*Investments in Technology-Related Sectors.* Each Fund will participate in a limited number of investments and concentrates its investments in the technology, enterprise software and software-enabled technology services sectors. Concentration in certain sectors may involve risks greater than those generally associated with diversified acquisition funds, including significant fluctuations in returns. The technology, enterprise software and software-enabled technology services sectors are challenged by various factors, including rapidly changing market conditions and/or participants, new competing products and/or services, and improvements in existing products and/or services. The Funds' portfolio companies will compete in this volatile environment. There is no assurance that products

or services sold by the portfolio companies will not be rendered obsolete or adversely affected by other challenges. Instability, fluctuation or an overall decline within the technology sector will likely not be balanced by investments in other industries not so affected, as the Funds' investments are concentrated in enterprise software and software-enabled companies that are primarily located in North America. In the event that the technology, enterprise software and software-enabled technology services sectors decline, returns to investors would be adversely impacted.

*Competition in Technology-Related Sectors.* Competitors of the Funds and their portfolio companies range in size from diversified global companies with significant research and development resources to small, specialized firms whose narrower product lines may let them be more effective in deploying technical, marketing and/or financial resources. Barriers to entry in the software and technology industries are low and software products can be distributed broadly and quickly at relatively low cost. Many of the areas in which the Funds and their portfolio companies participate evolve rapidly with changing and disruptive technologies, shifting user needs and frequent introductions of new products and services.

*Software Code Protection.* Source code is often critical to portfolio companies. If an unauthorized disclosure of a significant portion of source code occurs, a portfolio company could potentially lose future trade secret protection for that source code. This could make it easier for third parties to compete with such portfolio company products by copying functionality, which could adversely affect revenue and operating margins. Unauthorized disclosure of source code could also increase security risks (e.g., viruses, worms and other malicious software programs that may attack portfolio company products and services). Costs for remediating the unauthorized disclosure of source code and other cybersecurity breaches may include, among other things, increased protection costs, reputational damage and loss of market share, liability for stolen assets or information and repairing system damage that may have been caused. Remediation costs may also include incentives offered to portfolio company customers or other business partners in an effort to maintain the business relationships after a security breach.

*Governmental Export and Import Controls.* Companies may be subject to U.S. export controls for software and for incorporating encryption technology into any customer service platforms enabled through mobile applications. Such products incorporating encryption technology may only be exported outside of the U.S. with the required export authorizations, including by license, a license exception or other appropriate government authorizations, for example the filing of an encryption registration. Also, various countries regulate the import of certain encryption technology, including through import permitting and licensing requirements, and have enacted laws that could limit the ability of companies to offer or distribute their products. Further, U.S. export control laws and economic sanctions prohibit the shipment of certain products and services to countries, governments and persons targeted by U.S. sanctions. Such governmental export and import controls could negatively impact the Funds by impairing the abilities of portfolio companies to compete in international markets or subject them to liability for violations, including possible civil and criminal penalties and repercussions.

*Limited Protection of Proprietary Rights.* Portfolio companies of the Funds may be dependent upon proprietary information and technology. There can be no assurance that their means of protecting their proprietary rights will be adequate to prevent misappropriation. There can be no assurance that others will not develop technologies similar or superior to the technology of a Fund's portfolio companies or design around their proprietary rights.

*Reserves.* As is customary in the industry, a General Partner will establish reserves for follow-on investments (an additional investment in securities of a then-existing portfolio company of a Fund and/or a portfolio company of another Fund, as applicable, whether in connection with a financing round for such company, a secondary purchase of previously issued securities of such company or otherwise) by the applicable Fund in portfolio companies, operating expenses (including Management Fees), the liabilities of such Fund, and other matters. Similar reserves will be established for predecessor and future Funds. Estimating the appropriate amount of such reserves is difficult and highly speculative, especially for follow-on investment opportunities, which are directly tied to the success and capital needs of portfolio companies. Reserves may increase or decrease from time to time, depending on the projected needs of a Fund's portfolio companies and such Fund's available cash. Such estimates are not subject to or based on any standard industry practices and are made on a case-by-case basis, taking into account a variety of factors determined by Arthur Ventures in its sole discretion. Inadequate or excessive reserves could impair the investment returns to the investors. If reserves for a Fund are inadequate, such Fund may be unable to take advantage of attractive follow-on or other investment opportunities or to protect its existing investments from dilutive or other punitive terms associated with "pay-to-play" or similar provisions. If reserves for a Fund are excessive, such Fund will not be fully invested and/or may decline or otherwise not pursue attractive opportunities to make other investments. Further, the allocation of investment opportunities, both between and among the Funds, including with respect to existing portfolio companies of a Fund, may depend on their respective reserves at the time of allocating the opportunity, possibly resulting in lower returns if any of such reserves were later determined to be inadequate or excessive.

*Future Cash Requirements.* Future capital needs can arise among portfolio companies due to opportunities or business challenges, and a Fund may not have the reserves or capacity to assist at that time. Accordingly, if a Fund does not have sufficient available cash to make a follow-on investment in a portfolio company, then the Fund's ownership position in the portfolio company may be diluted.

*Uncertain Exit Strategies and Timing.* Due to the illiquid nature of most of the investments made by the Funds, the General Partners are unable to predict with confidence what the exit strategy will ultimately be for any given portfolio investment, or that an exit will definitely be available at an attractive price, or at all. Exit strategies that appear to be viable or profitable when an investment is initiated may be precluded or unprofitable by the time the investment is ready to be realized due to market, economic, legal, political or other factors. Exit timing for a portfolio company may also be impacted by additional financing rounds for such portfolio company in which one or more Funds (including Funds that do not then have an existing investment in such portfolio company) or other existing or new investors participate. For example, a large additional financing round may enable a portfolio company to stay

private for an extended period of time rather than pursuing a potential initial public offering or acquisition that would have constituted (or potentially led to) an exit event for a Fund with an existing investment in such portfolio company.

*Penalty for Failure to Make Capital Contributions.* Upon failure of an investor to make any required payment of any portion of its capital commitment, such investor is subject to forfeiture of up to 100% of its interest in the Fund.

*Reliance on the General Partner.* Each Fund will be dependent on its General Partner. Investors generally have no right or power to take part in the management of a Fund, or control over the operation of a Fund, including decisions with respect to structuring, negotiating and purchasing, financing and eventually divesting investments on behalf of a Fund, as control over these decisions will be vested with the relevant General Partner. Consequently, a Fund's future profitability and investment performance will depend largely upon the business and investment acumen of the principals and other investment professionals of the General Partners. The loss or reduction of service of one or more such persons could have an adverse effect on a Fund's ability to realize its investment objectives. In addition, the principals currently, and expect to in the future, manage other investment Funds and the principals devote substantial amounts of their time to the investment activities of such other Funds, which can pose conflicts of interest in the allocation of the time of the principals. In addition, certain changes in a General Partner or circumstances relating to a General Partner can have an adverse effect on the Funds or one or more of its portfolio companies. The composition of the investment teams can change over time, and there is no guarantee that the professionals included in such teams and who have contributed to the past performance of any prior Arthur Ventures Funds continue to be members of the particular team or serve in the same or similar roles thereon (and in some cases, are no longer with Arthur Ventures, or will leave such team or Arthur Ventures during the life of the Fund).

*Risks Relating to Due Diligence of and Conduct at Portfolio Companies; Expedited Transactions.* Before making investments, Arthur Ventures will typically conduct such due diligence as it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence entails evaluation of important and complex business, financial and legal issues. Legal advisors are always involved in the due diligence process, and, outside consultants, accountants and other third parties may be involved to varying degrees depending on the type of investment and the facts and circumstances related thereto, and Arthur Ventures relies on the advice received from such third parties. Investment analyses and decisions by Arthur Ventures will often be undertaken on an expedited basis in order for a Fund to take advantage of investment opportunities and/or consummate investments. In such cases, the information available to Arthur Ventures at the time of an investment decision may be limited, and the Firm may not necessarily have access to the detailed information necessary for a full evaluation of the investment opportunity. The due diligence investigation carried out with respect to any investment opportunity may not reveal or highlight all relevant facts that would likely be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in an investment being successful or even ensure a return on invested capital.

*Risk Management; Operational Controls.* The operational controls and risk management techniques used by the Funds involve third parties over whom Arthur Ventures does not exercise control, including outsourced providers of fund administration, legal, information technology and custody services. The proper operation of a Fund and safekeeping of its assets depend on the performance and financial wherewithal of these third parties, as well as the continued operation and security of their systems. The operational controls and risk management techniques Arthur Ventures uses also necessarily include subjective elements, making the judgment and discretion of the Firm's professionals fundamental to the risk management process. The greater the importance of subjective factors, the more challenging it becomes for the Firm to control for risk, which in turn increases the likelihood of unpredictable results with respect to a portfolio company and a Fund's overall performance.

Additional operational risks arise from such factors as processing errors, human errors, inadequate or failed internal or external processes, failures in systems and technology (including those highlighted below under "Cybersecurity Risk and Identity Theft"), changes in personnel, errors caused by third parties or other disruptive events. While Arthur Ventures has adopted a business continuity program designed to minimize the disruption these events could otherwise cause to normal business operations, business continuity programs are inherently limited. For example, the Firm could experience unanticipated contingencies or the planned controls and oversight may not function as intended. In addition, certain circumstances, including natural disasters, war, terrorism, public health crises, power or utility shortages and other system failures and malfunctions could prevent the Firm and its service providers from performing certain tasks, potentially for extended periods of time, including funding an investment, finalizing valuations, making a distribution or reporting to investors. Disruption to third parties, especially critical service providers, such as the Funds' auditors, external counsel, financial institutions, administrator, and custodian, can result in disruptions in the Funds' operations. Any such failure could cause losses to a Fund.

*Cybersecurity Risk and Identity Theft.* Cybersecurity incidents, cyber-attacks, denial of service attacks, ransomware attacks and social engineering attempts (including business email compromise and wire fraud attacks), both generally and within the financial services industry, have been occurring globally at a more frequent and secure level and will likely continue to increase in frequency in the future. The Funds, their portfolio companies, their service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These information and technology systems are subject to a number of different threats or risks that could adversely affect the Funds and their investors, despite the efforts of Arthur Ventures and its service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Funds and their investors. For example, these systems may be subject to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. In addition, Arthur Ventures' systems could be vulnerable to supply-chain attacks, wherein attackers



target third parties providing software or services in order to introduce vulnerabilities in Arthur Ventures' network or systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of such systems to disclose sensitive information in order to gain access to Arthur Ventures' data or that of Fund investors.

To the extent that a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company has the potential to be subject to substantial losses in the form of stolen, lost or corrupted: (i) customer data or payment information; (ii) customer or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks could be the subject of civil litigation or regulatory or other action. The use of internet- or cloud-based programs, technologies and data storage applications generally heightens these risks, and the risks of attack are expected to be heightened in remote work environments. Any of such circumstances has the potential to subject a portfolio company, or the Funds, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at Arthur Ventures or one of its affiliates or service providers holding its financial or investor data, Arthur Ventures, its affiliates or a Fund may also be at risk of loss.

Although Arthur Ventures has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, Arthur Ventures, the Funds and/or a service provider thereof may have to make a significant investment to fix or replace system components. The successful penetration or circumvention of the security of these systems, or a failure of these service provider's systems and/or of disaster recovery plans for any reason could cause significant interruptions in Arthur Ventures', the Funds' and/or a service provider's operations. This could result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors) and proprietary and/or confidential information relating to portfolio companies, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system and costs associated with system repairs.

Data taken in such breaches may be used by criminals in identity theft, to commit insider trading, in obtaining loans or payments under false identities and other crimes that could affect the investors directly as well as affect the value of assets in which a Fund invests. Such a breach or failure could harm Arthur Ventures', the Funds' and/or a service provider's reputation, subject any such entity and their respective affiliates to legal claims, compliance costs and otherwise affect their business and financial performance. In addition, Arthur Ventures may incur substantial costs related to forensic analysis of the origin and scope of a cybersecurity breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, adverse investor reaction or litigation which costs, under certain circumstances, may be borne by a Fund.

*Uncertain Economic, Social and Political Environment.* It is possible that consumer, corporate and financial confidence will be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises or other sources of political, social or economic unrest. Such erosion of confidence can lead to or extend a localized or global economic downturn. It is possible that a climate of uncertainty will reduce the availability of potential investment opportunities and increase the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn can have an adverse effect on the economy generally and on the ability of the Funds and their portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This has the potential to slow the rate of future investments by the Funds and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn can have an adverse effect upon the Funds' portfolio companies.

*Enhanced Scrutiny and Certain Effects of Potential Regulatory Changes.* There continue to be discussions regarding enhanced governmental scrutiny and/or increased regulation of the private equity industry. In particular, the SEC has increased emphasis on investment adviser and private fund regulation and has both adopted and proposed a number of new rules that impose significant changes on private fund advisers and their management of private funds. Such changes are expected to materially impact Arthur Ventures, the Funds and/or the investments, as well as increasing their expenses. Significant time and resources are expected to be required to comply with new regulations. There can be no assurance that any such scrutiny or regulation will not have an adverse impact on the Funds' activities, including the ability of the Funds to effectively and timely address such regulations, implement operating improvements or otherwise execute their investment strategy or achieve their investment objectives.

In perhaps the most sweeping of rulemaking changes, on August 23, 2023, the SEC adopted new rules and amendments (collectively, the "Private Fund Rule") to existing rules under the Advisers Act specifically related to advisers to private funds. In particular, the Private Fund Rule (i) requires quarterly reporting by registered private fund advisers to investors concerning performance, fees and expenses; (ii) requires registered investment advisers to obtain an annual audit for private funds; (iii) requires registered investment advisers to obtain a fairness opinion or a valuation opinion and make certain disclosures in connection with adviser-led secondary transactions; (iv) imposes limitations and new disclosure requirements regarding preferential treatment of investors in private funds in side letters or other arrangements with the adviser; and (v) prohibits advisers to private funds from taking certain actions without providing disclosures to investors and, in some cases, without obtaining investor consent. The Private Fund Rule is expected to have a significant effect on Arthur Ventures, the Funds and their operations, including increased compliance burdens and associated regulatory costs, increased investor reporting and disclosures to investors, enhanced risk of regulatory action and additional regulatory uncertainty. Significant time and resources are expected to be required to comply

with the Private Fund Rule, which potentially will detract from the time and resources dedicated to the Funds.

*Geopolitical Risks and Force Majeure.* An unstable geopolitical climate and continued threats of terrorism could have a material adverse effect on general economic conditions, market conditions and market liquidity. In addition, the United States and governments globally have seen a rise in populist and nationalist tendencies, with political parties espousing such themes gaining strength in local and national elections. The continued threat of terrorism, including the recent withdrawal of U.S. troops from Afghanistan, and the impact of military or other action have led to and will likely lead to increased volatility in prices for certain commodities and could affect certain portfolio companies' financial results. Additionally, a serious pandemic or a natural disaster could severely disrupt the global, national and/or regional economies. A resulting negative impact on economic fundamentals and consumer confidence has the potential to increase the risk of default of particular portfolio investments, negatively impact market value, increase market volatility and cause credit spreads to widen, and reduce liquidity, all of which could have an adverse effect on a Fund's returns and ability to make new investments. No assurance can be given as to the effect of these events on the value of or markets for portfolio investments.

Additionally, the Funds or portfolio investments can be affected by force majeure events such as events beyond the control of the party claiming that the event has occurred including, without limitation, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, and labor strikes. Some force majeure events may adversely affect the ability of a party, including a Fund, portfolio company or a counterparty to a Fund or a portfolio company, to perform its obligations until it is able to remedy the force majeure event. In certain circumstances, a Fund or a portfolio company may be a party to a contract which does not provide a remedy in favor of the Fund or such portfolio company if a force majeure event occurs. In this event, the Fund or such portfolio company may be required to continue to comply with its obligations (including, but not limited to, payment or performance of its obligations) under the contract even though it may not receive some or all of the benefits to which it is entitled under such contract. Such a circumstance can cause the Fund or such portfolio company to suffer economic loss, and such loss has the potential to be exaggerated if a force majeure event subsists for an extended period of time.

Certain force majeure events such as war or an outbreak of an infectious disease could have broader negative impact on the world economy and international business activity generally or in any of the countries in which the Fund has invested. A resulting negative impact on economic fundamentals and consumer confidence can increase the risk of default with respect to particular investments, negatively impact market value, increase market volatility and cause credit spreads to widen and reduce liquidity, each of which could have an adverse effect on the performance of portfolio investments, the Funds' returns and the ability of a Fund to make and/or dispose of portfolio investments. No assurance can be given as to the effect of these events on the value of, or markets for, portfolio investments, or a Fund's or a portfolio investment's ability to recover therefrom.

*Inflation.* The U.S. economy is currently in a period of high inflation. Investments could have revenues linked to some extent to inflation, including, without limitation, by government regulations and contractual arrangement. As inflation rises, an investment could earn more revenue but could incur higher expenses. As inflation declines, an investment might not be able to reduce expenses commensurate with any resulting reduction in revenue. Furthermore, wages and prices of inputs increase during periods of inflation, which can negatively impact returns on investments. Accordingly, there can be no assurance that a higher rate of inflation will not have a material adverse effect on the Funds' investments.

*Financial Institution Risk; Distress Events.* An investment in a Fund is subject to the risk that one of the Fund's banks, brokers, lenders or other custodians of some or all of the Fund's assets (each, a "Financial Institution") fails to perform its obligations or experiences insolvency, closure, receivership or other financial distress or difficulty (each, a "Distress Event"). Distress Events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance or accounting irregularities. In the event a Financial Institution experiences a Distress Event, Arthur Ventures, the Funds and/or their portfolio companies may not be able to access deposits, borrowing facilities or other services for an extended period of time or ever. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation ("FDIC"), in the case of banks, or the Securities Investor Protection Corporation ("SIPC"), in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose increased risk of loss. Although in recent years governmental intervention has resulted in additional protections for depositors, there can be no assurance that governmental intervention will be successful or avoid the risk of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event has a potentially adverse effect on the ability of Arthur Ventures to manage the Funds and their investments, and on the ability of Arthur Ventures, any Fund and/or portfolio companies to maintain operations, which in each case could result in significant losses and unconsummated investment acquisitions and dispositions. Such losses have the potential to include a Fund to pay fees and expenses in the event the Fund is not able to close a transaction (whether due to the inability to draw capital on a credit line provided by a Financial Institution experiencing a Distress Event, the inability of investors to make capital contributions or otherwise), as well the inability of a Fund to acquire or dispose of investments at prices that the relevant General Partner believes reflect the fair value of such investments and/or the inability of Arthur Ventures and/or the portfolio companies to make payroll, fulfill obligations and maintain operations. Although Arthur Ventures expects to exercise contractual remedies under the agreements with Financial Institutions in the event of a Distress Event, there can be no assurance that such remedies will be successful or avoid losses or delays. In addition, in the event Arthur Ventures determines to change Financial Institutions, there is a risk that the transfer of cash or other assets, especially if done in an expedited manner, will result in a technical violation of Advisers Act Rule 206(4)-2 (the "Custody Rule"), even if performed

in the Firm's best judgment of its efforts to fulfill its obligations and maintain operations, including its ability to close transactions, make payroll or otherwise.

Many Financial Institutions require, as a condition to using their services or otherwise, that Arthur Ventures and/or the relevant Fund maintain all or a set amount or percentage of their respective accounts or assets with such Financial Institution or its affiliate(s) and/or require capital calls to be funded into accounts at such Financial Institution (each, a "Custodian"), which heightens the risks associated with a Distress Event with respect to such Custodians. Although Arthur Ventures seeks to do business with Custodians that it believes are creditworthy and capable of fulfilling their respective obligations to the Funds, Arthur Ventures is under no obligation to use a minimum number of Custodians with respect to any Fund, or to maintain account balances at or below the relevant insured amounts.

### **Conflicts of Interest**

The material conflicts of interest that a Fund encounters include those discussed below and elsewhere in this Brochure. The following summary is not intended to be an exhaustive list of all conflicts or their potential consequences. Identifying potential conflicts of interest is complex and fact intensive and it is not possible to foresee every conflict of interest that will arise during a Fund's life. Investors should be aware that Arthur Ventures, its personnel and its affiliates will likely in the future engage in further activities that can result in additional conflicts of interest not addressed below. In particular, Arthur Ventures expects in the future to identify additional conflicts of interest that currently are not apparent to the Firm or to the broader alternative investments industry, as well as conflicts of interest that arise or increase in materiality as the Firm develops new investment platforms or business lines and otherwise adapts to dynamic markets and an evolving regulatory environment. There can be no assurance that Arthur Ventures will identify or resolve all conflicts of interest and, if resolved, that such conflicts will be resolved in a manner that is favorable to the Funds. To the extent that Arthur Ventures identifies conflicts of interest in the future, the Firm may, but is under no obligation, to disclose these conflicts and their implications to investors through a variety of channels, including in subsequent Brochures or in other written or oral communications to the advisory committees or to investors more generally. However, investors are not entitled to receive notice or disclosure of the actual occurrence of conflicts nor do investors have any right to consent to conflicts as they arise except as otherwise required by law or in the Governing Documents.

*Investment Allocation.* From time to time, Arthur Ventures is presented with investment opportunities that would be suitable for more than one Fund. The Firm generally will not commence the operation of a new pooled investment fund with objectives substantially similar to those of the Funds until the end of the commitment period or such earlier time as described in each Fund's Governing Documents. During the commitment period of each Fund, all appropriate investment opportunities will be pursued by Arthur Ventures principals through the Funds, subject to certain limited exceptions. Arthur Ventures' principals and Arthur Ventures' investment staff will continue to manage and monitor such investments until their realization. Arthur Ventures in the future intends to sponsor

and manage a variety of investment funds with objectives, strategies, scope and investment criteria that will potentially be the same as, similar to, or differ from the current Funds, provided that funds with a similar strategy are expected to be formed near the end of, or after the completion of, the commitment period. Such funds and/or their respective portfolio companies have the potential to compete with the Funds and/or portfolio companies of the Funds.

In determining which investment vehicles should participate in such investment opportunities, Arthur Ventures and its affiliates are subject to potential conflicts of interest among the investors in such vehicles. Arthur Ventures is committed to allocating investment opportunities among the Funds in a manner that it determines is fair and equitable and consistent with its fiduciary obligations and the Governing Documents of the Funds. To determine whether and to what extent the Funds will participate in an investment opportunity, Arthur Ventures generally assesses whether an investment opportunity is appropriate for each relevant Fund and also considers certain factors, including, but not limited to, (a) the amount of available capital commitments of the applicable Fund(s), (b) anticipated future capital requirements of an investment opportunity, (c) expected time to obtain liquidity, (d) limitations in the governing documents of the applicable funds, (e) investment and diversification guidelines, (f) investment strategies and objectives, (g) legal, tax or other regulatory considerations, and (h) other factors deemed relevant by the Firm.

Arthur Ventures' allocation of investment opportunities among the Funds is not always, and often will not, be proportional. Therefore, such allocations have the potential to be more advantageous to one Fund relative to another Fund. While Arthur Ventures will allocate investment opportunities in a way that it believes in good faith is fair and equitable to each Fund, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or terms on which the allocation is made, will be as favorable as they would be if the potential conflicts of interest did not exist. It is Arthur Ventures' policy to allocate follow-on investments to the Fund that owns the applicable portfolio company. If a follow-on investment is to be made in a portfolio company owned by more than one Fund, such follow-on investment is typically made in the same proportions as the original investment, unless Arthur Ventures determines another proportion is appropriate. As a result of the foregoing policies, one Fund can invest in opportunities that another Fund has declined or can decline to invest in opportunities in which another Fund has invested. Where necessary, Arthur Ventures will consult with and/or receive consent to conflicts from the requisite percentage interest of investors in, or an advisory committee consisting of, investors or investor representatives in the applicable Funds and/or co-investment vehicles.

Conflicts can arise when a Fund makes investments in conjunction with an investment being made by another Fund, or if a Fund were to invest in the securities of a company in which another Fund has already made an investment. A Fund may not, for example, invest through the same investment vehicles, have the same access to credit or employ the same investment strategies as other Funds. This may result in differences in price, terms, leverage and associated costs. There can be no assurance that the relevant Fund and the other Fund(s) or vehicle(s) with which it invests will exit such investment at the same time or on the same terms. Arthur Ventures and its affiliates may express

inconsistent views of commonly held investments or of market conditions more generally. There can be no assurance that the return on one Fund's investments will be the same as the returns obtained by the other Fund(s) participating in a given transaction. Given the nature of the relevant conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to all Funds. In that regard, it is possible that actions will be taken for one or more Funds that adversely affects other Funds.

*Investor Transfer of Interest.* In certain cases, Arthur Ventures will have an opportunity (but, subject to any applicable restrictions or procedures in the relevant Governing Documents, no obligation) to identify one or more secondary transferees of interest in a Fund. In the case of ordinary transfers, Arthur Ventures will not receive compensation for identifying such transferees and will use its discretion to select such transferees based on eligibility and other factors, and unless required by the relevant Governing Documents, will determine in its sole discretion whether the opportunity to receive a transfer of Fund interests should be offered to one or more existing Fund investors. On occasion, a General Partner or its members have purchased the interest of a Fund investor.

*Expense Allocations.* Subject to any relevant restrictions or other limitations contained in the Governing Documents of each Fund, Arthur Ventures will allocate fees and expenses in a manner that it believes in good faith is fair and equitable under the circumstances and considering such factors as it in its sole discretion, deems relevant. In exercising such discretion, Arthur Ventures can be faced with a variety of potential conflicts of interest. As a general matter, expenses incurred on behalf of multiple Funds will be allocated among such Funds. The allocations of such expenses are not always proportional. Investors in a Fund are typically allocated (or otherwise bear) their pro rata share of such fees and expenses, which are calculated based on capital commitments, invested capital, available capital, or other metrics as determined by Arthur Ventures in its sole discretion and in accordance with its policies and procedures regarding expense allocation.

There are occasions when one Fund (the "Payor Fund") pays an expense common to multiple Funds (the "Allocated Funds"). On such occasions, each Allocated Fund will reimburse the Payor Fund for its share of such expense, without interest, promptly after the payment is made by the Payor Fund.

Some expenses are incurred on behalf of one Fund which have the potential to benefit other Funds. For example, information Arthur Ventures obtains in connection with a Fund's research, due diligence and investment activities is expected to be valuable to other Funds. Additionally, tools and resources developed at Arthur Ventures' expense will be the intellectual property of Arthur Ventures and not the Fund.

A conflict of interest could arise in Arthur Ventures' determination of whether certain costs or expenses that are incurred in connection with the operation of the Funds meet the definition of Fund operational expenses for which the Funds are responsible, whether such expenses should be borne by Arthur Ventures or the manner in which Arthur Ventures allocates expenses. The Funds will be reliant on the determinations of Arthur Ventures in this regard. Because the allocation process can be subjective, from time to time, it is possible that subsequent review of allocations could result in an

identification of expenses that should have been allocated in a different manner, in which case measures will be undertaken to correct such circumstance, which might include a reversal of the original expense allocation, if possible, or such other equitable adjustment believed by Arthur Ventures to be the most appropriate corrective measure to ensure allocations are equitable on an overall basis in Arthur Ventures' good faith judgment.

*Use of Credit Facilities.* The Funds are permitted to borrow funds pursuant to a revolving credit facility or other debt facility, including a facility based on the aggregate commitments available to be called. Utilizing the credit facility to borrow funds in advance or in lieu of calling capital affords the Firm flexibility to manage cash flows to and from a Fund's investors and ease the investors' burden of responding to multiple capital calls. A Fund's use of such facilities will be determined by Arthur Ventures, and the performance of a Fund can be impacted by how Arthur Ventures causes a Fund to utilize such facilities. Although the use of such a facility has the potential to increase a Fund's ability to swiftly invest capital, it also will cause the Fund to incur interest expense and other costs. Potential conflicts of interest are expected to arise in that the use of such facilities likely would delay the need for investors to make certain contributions to the Fund, which has the potential to enhance the Fund's performance figures and thereby benefit Arthur Ventures. It is expected that the costs relating to the establishment and/or maintenance of a subscription line of credit will be significant, and there can be no assurance that the benefits to investors will be commensurate with such costs.

*Borrowing.* The Funds from time to time borrow funds or enter into other financing arrangements for various reasons, including to pay Fund expenses, to pay Management Fees, to make or facilitate new or follow-on investments (including borrowings pending receipt of capital contributions from investors). The cost and availability of leverage is highly dependent on the state of the broader credit markets (which may be impacted by regulatory restrictions and guidelines) which state is difficult to accurately forecast, especially considering the uncertainty in connection with geopolitical tensions created by geopolitical events. As a result, at times it is possible it will be difficult for portfolio companies to obtain or maintain the desired degree of leverage. The availability of leverage also is subject to governmental and regulatory oversight, and certain governmental bodies (including the U.S. Federal Reserve System, the U.S. Office of the Comptroller of the Currency and the U.S. Federal Deposit Insurance Corporation) may restrict or otherwise discourage lending that results in companies carrying large amounts of debt. The Funds typically pay interest on amounts borrowed under the credit facility and customarily pay a one-time fee for establishing the credit facility as well as certain other annual expenses.

Borrowing by a Fund will generally be secured by capital commitments made by investors to such Fund and/or by the Fund's assets, and documentation relating to such borrowing can provide that during the continuance of a default under such borrowing, the interests of the investors can be subordinated to such Fund-level borrowing, and the lenders have the ability to call capital directly from the investors. Moreover, tax-exempt investors should note that the use of borrowings by the Fund has the potential to cause the realization of UBTI.



*Bridge Financing.* A Fund is permitted to draw on its line of credit to bridge financing to a parallel investment vehicle, such as to a parallel fund or to a portfolio company. In such circumstances, the parallel investment vehicle or portfolio company is not a guarantor on the line of credit although it does receive the benefit of the loan. Arthur Ventures seeks to have the borrowing entity repay the loan and all interest and fees on the loan.

*Certain Risks and Conflicts of Interest Related to Public Company Holdings.* In certain cases, it is possible that the Funds will hold an interest in a public company. The acquisition and/or holding of public company securities creates certain risks and conflicts of interest that differ in type or degree from those involved with investments in privately held companies, including but not limited to: (i) volatility in the valuation of investments (which will be dictated based on market volatility, the public markets and the investment decisions of people and entities unaffiliated with the Firm); (ii) limitations on and risks associated with the company's or a Fund's use of 10b5-1 plans and fund trading in general; (iii) limitations on the ability of a Fund to dispose of such securities at certain times or to add to its position of such securities at certain times; (iv) the ability to dispose of interests in such investment (and the price effected for a disposition), including the fact that such dispositions will likely be effected at a different price or valuation than it would have been when such company was private; (v) increased exposure of the Firm or its personnel to material nonpublic information regarding such company (or its competitors, suppliers or others) which can in turn limit the ability of Arthur Ventures to be able to purchase (or dispose) of securities of such companies which if it had otherwise been inclined to do so, may have resulted in the applicable Fund avoiding losses or losing out on potential gains; (vi) the allocation of time and resources of the Firm and/or its personnel; (vii) service by Arthur Ventures personnel on the boards of such companies (including, if applicable, compensation of such board members and fiduciary obligations to shareholders other than the Fund and approval of board compensation from such public company to Arthur Ventures); (viii) disclosure of Fund interests in such public company including the imposition of new, more frequent and more detailed filing obligations; (x) increased scrutiny (and "headline risk" associated with a SPAC investment); (ix) increased likelihood of shareholder litigation and insider trading allegations against such company, its executives and board members (which as noted above, can include members or representatives of Arthur Ventures); and (xi) increased costs associated with any of the foregoing.

*Distributions in Kind.* Although the Funds expect to distribute primarily cash to investors, the Funds are authorized to make in-kind liquidating distributions of restricted or otherwise illiquid securities. Investments distributed in kind may not be readily marketable or disposable and investors therefore must be prepared to bear the risks of owning such securities for an indefinite period of time.

*Industry Relationships.* As with many other private fund sponsors, as part of Arthur Ventures' business, Arthur Ventures and its employees have developed relationships with third parties which have the potential to raise conflicts of interest. Such third parties include bankers, lenders, consultants, finders (including portfolio company finders), professional advisors (such as attorneys and accountants), current and former directors, officers and employees of current and former portfolio companies and former employees and members of Arthur Ventures as well as family members or close contacts of

such persons. Certain of these third parties can, on occasion: (i) introduce investment opportunities to Arthur Ventures; (ii) arrange for, or facilitate the financing of, the purchase of current and potential portfolio companies; (iii) introduce portfolio companies to potential acquisition or merger candidates; (iv) facilitate the disposition of portfolio companies; or (v) provide banking, consulting, legal or advisory services to Arthur Ventures, the Funds, or portfolio companies. Such third parties also on occasion provide goods or services to or have business, personal, familial, financial or other relationships with the principals. In addition, such third parties are sometimes investors in one or more Funds; co-invest in one or more portfolio companies; or provide other significant business or investment services to Arthur Ventures, Arthur Ventures employees, the Funds and/or their portfolio companies. These relationships have the potential to influence Arthur Ventures in deciding whether to select or recommend any such third party to perform services for the Funds or a portfolio company.

*Advisory Committee.* Each Fund's General Partner will appoint one or more investor representatives to an advisory committee, which has the ability to review and waive compliance with certain provisions of the relevant Governing Documents, including resolving potential conflicts of interest situations, and whose approval is required or can be requested in certain circumstances, including certain approvals or consents required by the Advisers Act. All investors are bound by the determinations of the relevant advisory committee, regardless of whether an investor is directly represented by a member of such advisory committee. The Governing Documents will provide that to the fullest extent permitted by applicable law, none of the advisory committee members shall owe any fiduciary duties to the Funds or any other investor. Members of the advisory committee can have conflicts of interest that do not disqualify such members from voting or consenting to matters submitted to the advisory committee for consideration or review. Members of the advisory committee often have various business and other relationships with Arthur Ventures and its members, partners, managers, directors, officers, employees and affiliates. These relationships have the potential to influence their decisions as members of the advisory committee. To the extent that an investor is not directly represented by a member of the advisory committee, such investor will have no influence over matters submitted to the advisory committee for review or approval. On any issue involving actual conflicts of interest, Arthur Ventures will be guided by its good faith discretion.

In addition, it is possible that members of one Fund's advisory committee will also be a member of another Fund's advisory committee. In such instances, a conflict of interest could be deemed to exist if an advisory committee is requested to provide consent with respect to transactions which involve a conflict of interest between two or more Funds on which such advisory committee members serve, and such members would be unlikely to recuse themselves from any such vote. To the extent members of an advisory committee vote regarding conflicts or otherwise participate in matters involving a vote or action, such members may not vote solely in accordance with their interests related to one Fund vis a vis another Fund, including for example, if such a member is required to vote on issues regarding conflicts between the Funds. Such members are unrestricted from voting and have the potential to affirmatively vote in a manner that is in their own interest and adverse to the interest of other investors. Finally, advisory committee members may choose to abstain from voting on

certain issues, which means that certain votes and issues could be decided only by non-abstaining members and less than a complete group of advisory committee members.

*Tangible and Intangible Benefits to Arthur Ventures.* In connection with its services to the Funds and their investments, Arthur Ventures, its affiliates and personnel expect to receive certain tangible and intangible benefits. For example, in the course of Arthur Ventures' operations, including research, due diligence, investment monitoring, operational improvements and investment activities, Arthur Ventures and its personnel expect to receive and benefit from information, "know-how," experience, analysis and data relating to Fund or portfolio company (as applicable) operations, terms, trends, market demands, customers, vendors and other metrics (collectively, "Arthur Ventures Information"). In many cases, Arthur Ventures Information will include tools, procedures and resources developed by Arthur Ventures to organize or systematize Arthur Ventures Information for ongoing or future use. Although Arthur Ventures expects its Funds and their portfolio companies generally to benefit from Arthur Ventures' possession of Arthur Ventures Information, it is possible that any benefits will be experienced solely by other or future Funds or portfolio companies and not by the Fund or portfolio company from which Arthur Ventures Information was originally received. Arthur Ventures Information will be the sole intellectual property of Arthur Ventures and solely for the use of Arthur Ventures. Arthur Ventures reserves the right to use, share, license, sell or monetize Arthur Ventures Information, without offset to Management Fees, and the relevant Fund or portfolio company will not receive any financial or other benefit of such use, sharing, licensure, sale or monetization. Additionally, expenses relating to the Funds or portfolio companies are expected to be charged using credit cards or other widely available third-party rewards programs that provide airline miles, hotel stays, travel rewards, traveler loyalty or status programs, "points," "cash back," rebates, discounts and other arrangements, perquisites and benefits under the available terms of such reward programs. Such terms are expected to vary from time to time, and any such rewards (whether or not de minimis or difficult to value) generally will inure to the benefit of Arthur Ventures or the personnel participating in the rewards program, rather than the portfolio companies, the Funds or their respective investors; no such rewards will offset Management Fees.

*Projections.* Projected operating results of a company in which a Fund invests normally will be based primarily on financial projections prepared by such company's management, with adjustments to such projections made by Arthur Ventures in its discretion. In all cases, projections are only estimates of future results that are based upon information received from the company and third parties and assumptions made at the time the projections are developed. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of other unforeseen events could impair the ability of a portfolio company to realize projected values. There can be no assurance that the results set forth in the projections will be attained, and actual results can be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material impact on the reliability of projections.

*Valuation of Assets.* There is not expected to be an actively traded market for most of the securities owned by the Funds. When estimating fair value, the General Partners will apply a methodology they

determine to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values have the potential to significantly differ from values that would have been determined had an active market existed for such securities and can significantly differ from the prices at which such securities ultimately are sold. The Firm has established a valuation policy, which it will follow when performing portfolio company valuations. Each General Partner will determine the value of the relevant Fund's investments that are not readily marketable based on ASC 820 guidelines as promulgated by the Financial Accounting Standards Board and any subsequent valuation guidelines required of an investment fund reporting under generally accepted accounting principles as promulgated in the United States. There can be no assurance that the relevant General Partner will have all the information necessary to make valuation decisions in respect of these investments, or that any information provided by third parties on which such decisions are based will be correct. There can be no assurance that the valuation decision of a General Partner with respect to an investment will represent the value realized by the relevant Fund on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation. While the valuation of the Funds' assets are performed internally by Arthur Ventures' own team and such valuations are not reviewed by an independent third party valuation consultant, all valuations are subject to an annual review by the Funds' auditors as part of each Fund's annual financial statement audit. The exercise of discretion in valuation by the Firm has the potential to give rise to conflicts of interest, including excess valuations which would impact the amount and timing of distributions of Carried Interest and the calculation of Management Fees. Generally, there will be no retroactive adjustment in the valuation of any investment or the fees and/or performance-based compensation paid to the Firm to the extent any valuation proves to not accurately reflect the realizable value of an investment.

*Conflicts Related to the Interpretation of Governing Documents and Other Legal Requirements.* The Governing Documents of each Fund and related documents are detailed agreements that establish complex arrangements among Arthur Ventures, the investors, the Fund, the General Partner and other entities and individuals. Questions can arise under these agreements regarding the parties' rights and obligations in certain situations, some of which will not have been contemplated at the time of the agreements' drafting and execution. In these instances, the operative provisions of the agreements, if any, can be broad, general, ambiguous or conflicting, and permit more than one reasonable interpretation. At times there will not be a provision directly applicable to the situation. While Arthur Ventures will construe the relevant agreements in good faith and in a manner consistent with its legal obligations (and, when appropriate, in consultation with external legal counsel), the interpretations Arthur Ventures adopts will not necessarily be, and need not be, the interpretations that are the most favorable to the Funds or their investors.

*Cross Fund Transactions.* While there have been none to date, Arthur Ventures is permitted to effect a cross transaction between Funds. Such cross fund transactions create conflicts of interest because by not exposing such buy and sell transactions to market forces, it is possible that a Fund will not receive

the best price possible or that Arthur Ventures will have an incentive to improve the performance of one Fund by selling underperforming assets to another Fund in order, for example, to earn fees. In effecting a cross transaction, the Firm will seek to ensure that the purchase or sale is effected at a price that is comparable to what price could be obtained through an arm's-length transaction with a third party and that is otherwise fair to both parties, which in some cases can include receiving a fairness opinion, receiving a legal opinion, engaging a placement agent and/or investment banker, each as appropriate. In certain circumstances, Arthur Ventures reserves the right to determine that the willingness of a third party to make an investment on the same terms demonstrates the fairness of the relevant transaction to the Fund under then-current market conditions. The Firm will maintain documentation to memorialize the basis for determining fairness in pricing.

*Tax Considerations; Diverse Membership.* Each Fund's investors include persons or entities resident in various jurisdictions, including the United States and other countries, who often have conflicting investment, tax and other interests with respect to their investments. The conflicting interests of individual investors relate to or arise from, among other factors, the nature of investments made by each Fund, the structuring of the acquisition of portfolio companies and the timing of the disposition of investments. Such structuring of portfolio companies can result in different after-tax returns being realized by different investors. As a consequence, conflicts of interest have the potential to arise in connection with decisions made by Arthur Ventures that are potentially more beneficial for one investor than another investor, especially with respect to investors' individual tax situations. Arthur Ventures considers the investment and tax objectives of each Fund as a whole, and not the individual investment, tax or other objectives of any particular investor.

*Employee Investors.* It is expected that certain of Arthur Ventures' employees and personnel will invest in a Fund directly as Fund investors or as part of a General Partner's commitment to a Fund. Subject to applicable law, the terms of an investment by an employee differ from, and are more favorable than, those of an investment by an external Fund investor. For example, employee investors generally will not be subject to a Management Fee and/or Carried Interest with respect to their investment and receive information regarding investments at different times than other investors.

## **Item 9 – Disciplinary Information**

The Firm does not have any legal or other disciplinary events to report that are material to a current or prospective investor's evaluation of the Firm's advisory business or the integrity of its management.

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

Neither Arthur Ventures 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. Neither Arthur Ventures nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing. Arthur Ventures does not have arrangements with a related person who is a broker-dealer, municipal securities dealer, government securities dealer or broker, investment

company, other investment adviser or financial planner, futures commission merchant, commodity pool operator, commodity trading adviser, banking or thrift institution, accountant or accounting firm, lawyer or law firm, insurance company or agency, pension consultant, real estate broker or dealer, or sponsor or syndicator of limited partnerships that are material to its advisory business or to its Funds or its investors. Arthur Ventures has and will continue to develop relationships with professionals who provide services it does not provide, including legal, accounting, fund administration, banking, investment banking, placement agent services, tax preparation, insurance brokerage, information technology, compliance and other services. Some of these professionals provide services to the principals, the Funds or their portfolio companies. Additionally, some of these professionals are investors in Arthur Ventures Funds, either personally or through their company.

As described above in Item 4, Arthur Ventures is affiliated with the relying adviser and with the Funds' General Partners, which are deemed registered with the SEC under the Advisers Act pursuant to Arthur Ventures' registration. The relying adviser and General Partners together with Arthur Ventures operate as a single advisory business and serve as the General Partner, affiliate or managing members of private investment funds and other pooled vehicles and share common owners, officers, partners, employees, consultants, or persons occupying similar positions. These General Partners do not have employees of their own.

Arthur Ventures does not recommend or select other investment advisers for the Funds.

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

### **Code of Ethics and Employee Personal Trading**

Pursuant to Rule 204A-1 of the Advisers Act, Arthur Ventures has adopted a written code of ethics ("Code of Ethics") that sets forth standards of conduct expected of supervised persons and addresses personal trading and reporting of personal securities transactions, gifts and entertainment and outside business activities, among other topics. The Code of Ethics requires all supervised persons to place Fund interests ahead of the Firm's interests and to maintain full compliance with the federal securities laws. With respect to third parties that are not subject to the trading restrictions under Arthur Ventures' Code of Ethics and that may otherwise obtain sensitive and nonpublic information relating to a Fund deal (*e.g.*, co-investors, legal, financial, diligence, public relations and other similar service providers), such persons typically are subject to contractual provisions in confidentiality agreements or professional obligations that prohibit the misuse of any such information.

Supervised persons are required to certify their compliance with the Code of Ethics upon hire and on an annual basis. Supervised persons who violate the Code of Ethics will be subject to remedial actions, including, but not limited to, censure, suspension or dismissal. Supervised persons are also required to promptly report any violations of the Code of Ethics of which they become aware.

The personal trading policy for Arthur Ventures supervised persons is set forth in Arthur Ventures' Code of Ethics and is acknowledged as received and understood by each supervised person. Arthur Ventures' personal trading policies are designed to ensure that no Fund is disadvantaged by the transactions executed by a supervised person and that supervised persons do not misappropriate any benefit properly belonging to a Fund.

Because Arthur Ventures' business focuses primarily on private market investments, Arthur Ventures expects that instances of supervised persons having access to material nonpublic information regarding publicly-traded securities will be relatively infrequent. Arthur Ventures' supervised persons are permitted to make securities transactions in their personal accounts, subject to certain limitations. Arthur Ventures' supervised persons and their covered family members are prohibited from trading, either personally or on behalf of others, in securities while in possession of material nonpublic information regarding publicly traded securities or communicating material nonpublic information about such securities to others. The Code of Ethics establishes guidelines for personal trading requirements, insider trading and reporting of personal securities transactions, including certain pre-clearance and reporting obligations. Arthur Ventures maintains a restricted list of issuers about which it has or may have material nonpublic information. Pre-clearance is required by supervised persons and their covered family members for certain personal securities transactions, including trading in restricted list securities, initial public offerings and limited offerings. In addition, supervised persons are required to file certain reports and link certain brokerage accounts to enable monitoring of personal trading by the Chief Compliance Officer or his designee.

The principals and employees of Arthur Ventures will occasionally carry on investment activities for their own account and for family members, and in connection therewith, can potentially give advice and recommend securities which differs from advice given to, or securities recommended or bought for, the Funds, even if their investment objectives are the same or similar. In addition, principals and employees are permitted to buy securities in transactions offered to, but rejected by, the Funds or that are outside the investment mandate of the Funds. All such employee private investments are subject to pre-approval and/or review by the Chief Compliance Officer.

Arthur Ventures will provide a copy of its Code of Ethics to any existing or prospective investor upon request to Arthur Ventures' Chief Compliance Officer, Jeff Yurecko, at (612) 552-6792 or [jeff@arthurventures.com](mailto:jeff@arthurventures.com).

### **Participation or Interest in Client Transactions**

Certain Arthur Ventures employees and their family members have invested in the Funds. As mentioned in Item 5 and Item 6 above, Arthur Ventures generally reduces all or a portion of the Management Fee and Carried Interest related to investments held by such persons. Arthur Ventures does not believe this arrangement presents any material conflict of interest since the General Partners' interests are aligned with the interests of investors in such Funds.

Section 206(3) of the Advisers Act generally prohibits investment advisers from engaging in principal, cross and agency cross transactions without the appropriate disclosure and consent. Arthur Ventures will only enter into a principal, cross or agency cross transaction with the appropriate disclosure and consent.

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account, knowingly buys from or sells a security to an advisory client. This applies to any affiliates or controlling persons of the adviser (*i.e.*, an owner, employee or affiliate of the adviser, such as a Fund General Partner). Cross trades between funds can also be deemed to be principal transactions if the adviser (and/or its affiliates, owners, or controlling persons) owns, in the aggregate, 25% or more of either fund. In the context of Arthur Ventures' business, a principal transaction would most likely refer to the practice of warehousing an investment for the formation of a future fund or Arthur Ventures or a Fund General Partner purchasing the interest of an existing investor. Cross transactions occur when an adviser or an affiliate arranges a transaction (*i.e.*, acts as broker) between two or more funds or accounts that are managed by that same adviser or an affiliate. An adviser is not "acting as a broker" if the adviser receives no compensation (other than the advisory fee earned in the ordinary course of managing the assets) for effecting the transaction and therefore is not considered to be conducting a cross transaction under Section 206(3) of the Advisers Act. In the context of Arthur Ventures' business, a cross transaction would occur when selling a portfolio company, investment or other asset from one Fund to another. Agency cross transactions occur when an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer, which is not applicable to Arthur Ventures.

In the event Arthur Ventures were to recommend a principal transaction or cross transaction, it would only be after: (i) the Firm has determined the transaction to be in the best interest of participating clients; (ii) the transaction is permitted by the relevant Governing Documents; (iii) proper disclosure is given to the relevant General Partner, advisory committee or investors, as appropriate; (iv) consent is obtained from the appropriate parties; and (v) the Firm ensures that best execution is achieved for the transaction.

### **Conflicts of Interest**

If any matter arises that Arthur Ventures determines in its good faith constitutes an actual conflict of interest, Arthur Ventures will take such actions as are necessary or appropriate, and as permitted by any applicable Fund's Governing Documents, to address the conflict. The Governing Documents of each Fund include a description of what Arthur Ventures believes to be the most significant conflicts of interest associated with an investment in that Fund. Some of these conflicts are summarized in Item 8 above.

### **Item 12 – Brokerage Practices**

The Funds are permitted to engage broker-dealers or investment bankers to perform various services for the Funds and portfolio companies, such as assisting in capital raising, merger and acquisition



activity or the sale of a portfolio company. On occasions when a Fund owns a publicly traded portfolio company, the company will engage a broker-dealer to assist in the sale or transfer of shares of securities. Arthur Ventures has sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker-dealer or investment banker, if any, to be used to effect transactions for the Funds. In executing transactions, Arthur Ventures will seek best execution of the transaction. Best execution is a qualitative assessment that considers the full range and quality of a broker-dealer or investment banker's services and is satisfied by obtaining the most advantageous overall terms for the Fund(s) when weighing all factors relevant to the transaction. Best execution is therefore not necessarily determined by lowest possible commission rates.

Whether for private or public securities transactions, Arthur Ventures selects a broker-dealer or investment banker based on Arthur Ventures' judgment regarding a variety of factors, including but not limited to: Arthur Ventures' prior experience in working with the broker-dealer or investment banker; the broker-dealer or investment banker's execution capability, financial responsibility, reputation and expertise within the industry; the broker-dealer or investment banker's responsiveness to the Firm; the broker-dealer or investment banker's expertise in dealing with investments that are restrictive or illiquid in nature; the type and size of the transaction involved; the value of any research services providers; and the commission rates, among other factors.

Although Arthur Ventures generally seeks competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent, especially in private securities transactions that rely heavily on the specialty services or experience of a broker-dealer or investment banker that operate outside of a competitive bidding environment. Transactions that involve such specialized services on the part of the broker-dealer or investment banker can thereby entail higher commissions, or their equivalents, than would be the case with other transactions requiring more routine services. However, Arthur Ventures believes the commissions or mark-ups charged are competitive with those that other broker-dealers or investment bankers charge.

Arthur Ventures does not receive research or other soft dollar benefits in connection with securities transactions for the Funds, does not receive investor referrals in connection with selecting or recommending broker-dealers for the Funds and does not engage in directed brokerage. In the event Arthur Ventures were to aggregate the purchase or sale of securities for client accounts, it would do so on a pro rata basis.

### **Item 13 – Review of Accounts**

The investment portfolios of the Funds are generally private, illiquid and long-term in nature and accordingly Arthur Ventures' review of them is not directed toward a short-term decision to dispose of securities. Arthur Ventures Managing Directors and investment professionals closely monitor the portfolio companies of the Funds and maintain an ongoing oversight position in such portfolio companies.

Arthur Ventures provides to investors on behalf of its Funds the following written reports: (i) annual audited financial statements prepared in accordance with United States generally accepted accounting principles (“GAAP”) as promulgated by the Financial Accounting Standards Board (“FASB”), accompanied by the report of the independent certified public accountant within 120 days of fiscal year end (or earlier as agreed to in the relevant Governing Documents); (ii) unaudited financial statements for the first three quarters of each fiscal year; and (iii) annual tax information necessary for the completion of tax returns (K-1). The Firm also has contact with investors (*e.g.*, personal visits, video conference, telephone and email) throughout the year as requested and/or as conditions warrant.

In the course of conducting due diligence, investors periodically request information pertaining to Arthur Ventures’ investments and track record. Arthur Ventures responds to these requests, and in answering such requests, provides information that is not always made available to other investors who have not requested such information. Additionally, as it pertains to existing investors, upon request or pursuant to contractual obligations, certain investors receive additional information and reporting that other investors do not receive. As a result, certain investors will have more information about a Fund than other investors, and Arthur Ventures has no duty, and does not intend, to ensure that all investors seek, obtain or possess the same information regarding a Fund and its investments and/or portfolio companies. Arthur Ventures will ensure that the disclosure of preferential information rights complies with the Private Fund Rule commencing with its effective date in March 2025.

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

Arthur Ventures does not receive any monetary compensation or any other economic benefit from a non-client for Arthur Ventures’ provision of investment advisory services to a client.

Arthur Ventures has not directly or indirectly compensated any person who is not a supervised person for client referrals and does not use placement agents to assist in its fundraising efforts.

#### **Item 15 – Custody**

Arthur Ventures is deemed to have custody of the Funds’ assets because the General Partners are not operationally independent from Arthur Ventures: each Fund’s General Partner generally has full discretion and control over Fund investments and cash, including the ability to deduct fees from Fund accounts. To comply with Advisers Act Rule 206(4)-2 (the “Custody Rule”), Arthur Ventures has elected to undergo an annual GAAP financial statement audit by an independent public accountant registered with and subject to examination by the Public Company Accounting Oversight Board for each of the Funds over which it is deemed to have custody, copies of which are (or will be, for newly closed Funds) delivered to the Funds and their respective investors within 120 days of fiscal year end (or earlier as agreed to in the relevant Governing Documents). In addition, upon the final liquidation of a Fund, Arthur Ventures will obtain a final audit and distribute audited financial statements

prepared in accordance with GAAP with respect to such Fund to all underlying investors promptly upon completion of the audit. Investors are encouraged to carefully review such financial statements.

Arthur Ventures does not accept physical custody of Fund assets (other than certain privately offered securities to the extent permitted by the Advisers Act). Called capital is directly deposited or wired into the relevant Fund's bank account maintained with a qualified custodian and public securities are held with broker-dealers or transfer agents who act as custodians for such securities. Arthur Ventures receives monthly statements from each of its qualified custodians on behalf of the Funds. For more information about the Funds' qualified custodians, please see Form ADV Part 1, Schedule D, Section 7.B.(1).

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

Arthur Ventures generally receives and exercises complete discretionary authority to manage investments on behalf of the Funds as per the Governing Documents of each Fund. To become an investor in a Fund, an investor must execute, among other documents, a subscription agreement and a limited partnership agreement (or similar agreement) with a Fund. Such documents generally contain a power of attorney that grants Arthur Ventures or the applicable Fund's General Partner certain powers related to the orderly administration of the affairs of the Fund. Once an investor executes these documents, with limited exceptions discussed elsewhere in this Brochure, Arthur Ventures is not required to contact such investor prior to transacting business in a Fund.

Generally, Arthur Ventures' only restrictions with respect to managing a Fund, such as, but not limited to, the type of securities in which a Fund invests, will be contained in the relevant Fund's Governing Documents. However, an investor can seek to impose limitations on Arthur Ventures' authority through a side letter agreement, and the Firm and/or the relevant General Partner can choose to accept reasonable limitations or restrictions at its discretion. All limitations and restrictions placed upon Arthur Ventures' investment authority with respect to an investor's investment must be presented to Arthur Ventures and the relevant Fund's General Partner in writing and agreed to by all applicable parties.

No investors to date have limited Arthur Ventures' or a Fund's discretionary authority to provide investment advice.

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

By virtue of the applicable Governing Documents, Arthur Ventures has the authority to vote proxy statements on behalf of the Funds. However, given the nature of Arthur Ventures' advisory business, the Funds seldom hold public securities; the majority of "proxies" received by Arthur Ventures are written shareholder consents or similar instruments for private companies owned by the Funds. Specifically, from time to time, portfolio companies request Arthur Ventures (usually through the General Partner of the applicable Fund) to consent to certain issues pertaining to the portfolio company's business and requiring equity owner approval. In these cases, Arthur Ventures considers

factors that could affect the value of the investment and will act in the manner that it believes maximizes the value of its long-term investment in portfolio companies.

Arthur Ventures has adopted proxy voting policies and procedures pursuant to Advisers Act Rule 206(4)-6. Arthur Ventures' proxy voting policy seeks to ensure that it votes proxies in the best interest of the Funds with a goal towards maximizing overall value. Pursuant to its policy, Arthur Ventures will generally vote in accordance with management's recommendations unless Arthur Ventures determines that voting in such a manner is in conflict with the best interests of the Fund's investors. Arthur Ventures generally believe its interests are aligned with those of the Funds' investors through the principals' beneficial ownership interests in the Funds. However, in the event that there is a conflict of interest in voting proxies, Arthur Ventures' proxy voting policy provides that the Firm can address the conflict using several alternatives, including by seeking the approval or concurrence of an advisory committee on the proposed proxy vote, or through other alternatives as set forth in Arthur Ventures' proxy voting policy. Investors in the Funds cannot direct how Arthur Ventures votes proxies or shareholder consents, nor is Arthur Ventures required to seek investor approval or direction when voting proxies or when giving consent on any matter requiring the consent of shareholders.

Arthur Ventures will provide a copy of its proxy voting policy to investors upon request to Arthur Ventures' Chief Compliance Officer, Jeff Yurecko, at (612) 552-6792 or [jeff@arthurventures.com](mailto:jeff@arthurventures.com). Investors can also obtain information from the Firm, free of charge, about how Arthur Ventures voted any previous proxies, if any.

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

Arthur Ventures does not require or solicit prepayment of more than \$1,200 in fees per Fund, six months or more in advance; has no financial condition reasonably likely to impair its ability to meet contractual commitments to Funds or investors; and has not been the subject of a bankruptcy proceeding.