

Item 1. Cover Page



**MPM Asset Management LLC**

**and**

**MPM BioImpact LLC**

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Part 2A of Form ADV: Firm Brochure

March 28, 2024

**This brochure provides information about the qualifications and business practices of MPM Asset Management LLC and MPM BioImpact LLC (collectively, “MPM BioImpact”). If you have any questions about the contents of this brochure, please contact us at (617) 425-9200. 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.**

**Additional information about MPM Asset Management LLC and MPM BioImpact LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). An investment adviser’s registration with the SEC does not imply a certain level of skill or training.**

## **Item 2. Material Changes**

This brochure serves as an update to the previous brochure filed by MPM BioImpact, dated as of October 30, 2023. This brochure has been updated in:

- Item 5 to clarify that fees earned by persons unaffiliated with the Adviser are not considered “Other Fees” and to include additional detail about fair and equitable allocation of expenses.
- Item 8 to reflect current risks inherent to MPM BioImpact’s advisory business, specifically risks related to cybersecurity, the use of new technology, and risks associated with new SEC rules.
- Item 11 to describe potential conflicts based on General Partner commitments and contributions to Funds and co-investment vehicles.

This brochure also includes routine updates throughout to improve and clarify the description of business practices, compliance policies and procedures, as well as to respond to evolving industry best practices.

### **Item 3. Table of Contents**

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#### **Item 4. Advisory Business**

For purposes of this brochure, “**MPM BioImpact**” or the “**Adviser**” means collectively MPM Asset Management LLC, a Delaware limited liability company, and MPM BioImpact LLC, a Delaware limited liability company, together (where the context permits) with their affiliated general partners of the Funds (each a “General Partner”) and other affiliates that provide advisory services to and/or receive advisory fees from the Funds. Such affiliates may or may not be under common control with MPM BioImpact, but possess a substantial identity of personnel and/or equity owners with MPM BioImpact. These affiliates may be formed for tax, regulatory or other purposes in connection with the organization of the Funds, or may serve as General Partners of the Funds.

The Adviser provides investment supervisory services to investment vehicles, including pooled investment vehicles and separately managed accounts either advised directly or through a sub-adviser arrangement (together with any investment vehicles advised by the Adviser in the future, each, a Fund and collectively, the “**Funds**”) that are exempt from registration under the Investment Company Act of 1940, as amended (the “**1940 Act**”) and whose securities are not registered under the Securities Act of 1933, as amended (the “**Securities Act**”). The Adviser utilizes three distinct strategies to manage the Funds, which are: “**Venture Funds**”, “**Hybrid Funds**”, and “**Hedge Funds**” (each of which is described below). Additionally, certain Funds co-invest alongside other Funds and typically have one strategic investor (each, a “**Strategic Fund**” and collectively, the “**Strategic Funds**”).

#### **Venture Funds**

The Venture Funds make long-term venture capital investments in privately-held companies. In accordance with the Funds’ respective investment objectives, investments are generally made in companies doing business in the biotechnology sector.

#### **Hybrid Funds**

The Hybrid Funds make long-term venture capital investments in privately-held companies and investments in publicly traded companies. In accordance with the Hybrid Funds’ respective investment objectives, investments are generally made in companies doing business in the biotechnology sector. The Hybrid Funds also typically have a philanthropic component.

#### **Hedge Funds**

The Hedge Funds are specifically focused on small and mid-cap segments of the healthcare industry with investments primarily in public companies in the biotechnology, pharmaceutical/specialty pharmaceutical, medical technology, and diagnostics sectors. These Hedge Funds may also invest in the life science tools, lab services, contract research organization, robotics, healthcare IT, hospital supply/equipment, payer, hospital, and distribution sectors as well.

The Adviser’s advisory services consist of investigating, identifying, and evaluating investment opportunities, structuring, negotiating, and making investments on behalf of the Funds, managing and monitoring the performance of such investments, and disposing of such investments. The

Adviser or an affiliated entity may serve as the investment adviser or General Partner to the Funds in order to provide such services.

The Adviser provides investment supervisory services to each Fund in accordance with the limited partnership agreement (or analogous organizational document) of such Fund or separate investment and advisory, investment management or portfolio management agreements (each, an “**Advisory Agreement**”).

Investment advice is provided directly to the Funds, subject to the discretion and control of the applicable General Partner or board of directors to the respective Fund, and not individually to the investors in the Funds. Services are provided to the Funds in accordance with the Advisory Agreements with the Funds and/or organizational documents of the applicable Fund. Investment restrictions for the Funds, if any, are generally established in the organizational or offering documents of the applicable Fund, Advisory Agreements and/or side letter agreements negotiated with investors in the applicable Fund (such documents collectively, a Fund’s “**Organizational Documents**”).

The controlling owner of both MPM Asset Management LLC and MPM BioImpact LLC is Ansbert Gadicke. Luke Evnin and Christiana Bardon also have ownership interests in MPM Asset Management LLC and MPM BioImpact LLC, respectively. MPM Asset Management LLC has been in business since 1997. As of December 31, 2023, the Adviser manages a total of \$3,348,681,232 of client assets, all of which is managed on a discretionary basis. The Adviser does not manage assets on a non-discretionary basis.

## **Item 5. Fees and Compensation**

The Adviser or its affiliates generally receive Advisory Fees, Performance Allocations, and Carried Interest (each as defined below) or similar performance-based remuneration from a Fund. Performance Allocations, Carried Interest and similar performance-based remuneration is collectively referred to in this brochure as “Incentive Compensation”. A Fund, and/or its portfolio companies may also reimburse the Adviser and its affiliates or its employees, advisors, or consultants for certain expenses and/or make other payments to the Adviser or its affiliates or its employees, advisors, or consultants for services provided to the portfolio companies which, in certain circumstances, reduces the Advisory Fees payable to the Adviser. Additionally, consistent with the Organizational Documents of a Fund, the Fund typically bears certain out-of-pocket expenses incurred by the Adviser in connection with the services provided to the Fund and/or the portfolio companies. Further details about certain common fees and expenses are set forth below.

### **Advisory Fees**

As compensation for investment supervisory services rendered to the Funds, the Adviser receives from each such Fund an advisory fee (each, an “**Advisory Fee**”) typically calculated based on committed capital or the value of assets, as determined by the Adviser, with respect to such Fund. Advisory Fees may be reduced during the life of a Fund. The precise amount of, and the manner and calculation of, the Advisory Fees for each Fund are established by the Adviser and are set forth in such Fund’s Organizational Documents. The Advisory Fees and other fees and distributions described herein are generally subject to modification, waiver or reduction by the Adviser in its sole discretion, both voluntarily and on a negotiated basis with selected investors via side letter and other arrangements, which, to the extent permitted by applicable law, may not be disclosed to other investors in the same Fund. The fee structures described herein may be modified from time to time. Fees may differ from one Fund to another, as well as among investors in the same Fund.

The Advisory Fees paid by certain Funds will generally be reduced by (1) the fees incurred by the Adviser in connection with the organization of such Fund that exceed a limit specified in such Fund’s Organizational Documents and/or (2) certain Other Fees (as defined and described in more detail below) received by the Adviser or its affiliates. The amount and manner of such reduction, if any, is set forth in the Organizational Documents of the applicable Fund.

Advisory Fees vary Fund by Fund and are either payable quarterly or monthly in advance. There are also legacy Advisory Fee and Incentive Compensation structures for certain Funds that are generally no longer available to new investors.

Certain investors in the Funds that are employees, business associates and other “friends and family” of the Adviser, its affiliates or their personnel or former personnel, including any related entity established by any of the foregoing, such as trusts, charitable programs, endowments or related programs, family investment vehicles and other estate planning vehicles (collectively, “**Adviser Investors**”) will not typically pay Advisory Fees in connection with their investment in a Fund. Furthermore, Adviser Investors do not generally bear any expenses incurred in making an investment and, as a result, such expenses are generally borne by the Funds. Adviser Investors will only bear those expenses specifically allocated solely to an Adviser Investor vehicle (for

instance, administrative fees, tax preparation fees, state filing fees and similar fees). In addition, the Adviser has in the past and may from time to time in the future establish certain investment vehicles through which certain Adviser Investors, other “friends of the firm,” or other persons may invest alongside one or more Funds in one or more investment opportunities. Such co-investment vehicles generally will not pay Advisory Fees or Incentive Compensation.

In addition, as set forth in the Organizational Documents of the applicable Fund, the Adviser and its affiliates, may utilize a “deemed contribution” or “cashless commitment” to satisfy any obligation of the Adviser and certain employees and affiliates of the Adviser to invest in and alongside such Fund and will only be paid in cash if such Fund does not return capital contributed by the limited partners. This “deemed contribution” or “cashless commitment” could result in acceleration of investor capital contributions.

The Adviser or an affiliated General Partner deducts Advisory Fees and Incentive Compensation directly from Fund assets and does not bill investors in the Funds.

Upon termination of an Advisory Agreement, prepaid Advisory Fees are processed in accordance with the terms of the applicable agreement.

### **Performance Allocations**

The affiliated General Partner of certain Funds that engage in the trading of public securities receives performance-based compensation generally equal to either 15% or 20% annually of the excess net profit over net losses related to public securities, subject to a high-water mark (the “**Performance Allocation**”). The Performance Allocation is generally made to the respective General Partner at the end of each year or sooner upon withdrawals by investors. Please see Item 6 below regarding Performance Allocation.

### **Carried Interest Payments**

With respect to certain Funds, a portion of the profits of each such Fund is distributed to its General Partner, if any, as “carried interest” (the “**Carried Interest**”), generally equal to 20%. Please see Item 6 below regarding Carried Interest.

### **Other Fees and Expense Reimbursement**

#### *Other Fees*

In addition to the Advisory Fees and Incentive Compensation, the Adviser and its affiliates receive a variety of other cash and non-cash fees, including equity for services, intellectual property, or strategic advice provided to portfolio companies (collectively, with the other fees described in this section, “**Other Fees**”). The amount and timing of such fees received by the Adviser or its affiliates, and whether and to what extent Other Fees reduce Advisory Fees, are generally specified in the agreement or other documentation governing the applicable transaction.

In addition, the Adviser’s personnel, from time to time, receive stock of a portfolio company due to the service of such personnel on the board of such portfolio company or as compensation for other services provided to such portfolio company. In such event, the recipient will generally act

in their own interest with respect to the stock received (including, for instance, in determining when to sell the distributed securities. The ability of such recipients, to act in their own interest with respect to the stock, creates a conflict of interest between the Adviser, as an adviser to the Funds, and its personnel, on the one hand, and the Funds, on the other hand, because the recipient's interests may not be aligned with those of the Funds and the recipient may determine to sell the stock received at a different time, or on different terms, than those determined by the Fund.

With respect to the implementation of the arrangements described above, there may not be an independent third-party involved on behalf of the relevant portfolio company and therefore the fees may not be subject to independent market checks. Therefore, a conflict of interest exists in the determination of any such fees and other related terms in the applicable agreement with the portfolio company.

The payment of Other Fees and reimbursements by portfolio companies and prospective portfolio companies may create a conflict of interest between the Adviser and its affiliates, and the applicable Funds and their investors because the Funds and their investors generally do not have a direct interest in these fees. Generally, the Adviser or its personnel, in their own discretion, determine the amount and timing of these Other Fees for the services provided and reimbursements, subject to agreements with sellers, buyers, and management teams, the board of directors of or lenders to portfolio companies, and/or third party co-investors in its transactions, and the amount of such fees and reimbursements often will not (except in connection with the advisory fee reductions described herein) be disclosed to investors in the Funds.

#### Advisory Fee Reduction

The Advisory Fee for certain Funds, in some circumstances, may be reduced by the amount of all excess organizational expenses paid by a feeder fund, and a feeder fund's allocable share of transaction fees, directors' fees paid to certain Operation Support Providers by a portfolio company in which the Funds have made an investment, investment-related fees, break-up fees (net of any dead deal costs (as described below) paid for or by the Adviser or its affiliates), underwriting fees, abort fees or other fees earned from the making of investments by a Fund, and finders, placement or similar fees paid by a feeder fund, in each case on an annual basis for the relevant accounting period and any subsequent accounting periods (if applicable).

Other Fees are often substantial and may be paid in cash, in securities of the portfolio companies, prospective portfolio companies, or investment vehicles (or rights thereto), or otherwise. Although Other Fees are in addition to the Advisory Fees, the Adviser will in some instances reduce the amount of Advisory Fees paid by the applicable Fund in connection with the receipt of such Other Fees in accordance with the Organizational Documents of the applicable Fund. Generally, under the terms of the applicable Organizational Documents, for purposes of calculating any Advisory Fee offset, Other Fees are net of out-of-pocket costs and expenses incurred by the Adviser in connection with consummated or unconsummated transactions or in connection with generating any such fees.

To the extent an Other Fee relates to more than one Fund, generally, the portion of Other Fees allocable to capital invested by a Fund, co-investment vehicle, or third-party investor that does not



pay Advisory Fees will be retained by the Adviser and such amounts will not offset any Advisory Fee.

Notwithstanding the foregoing, the Adviser, and/or its (present or former) employees, members, officers, principals, executive or operating partners and affiliates, of the Adviser, its affiliates, the Funds, and/or portfolio companies (each, an “**Operations Support Provider**”) may provide services to a portfolio company or a portfolio company of another fund or entity organized or funded by the Adviser or its affiliates, including, but not limited to, services as a director, executive, employee (or other operational role), consultant, or services pertaining to finance, legal, IT, operations, and administration. In exchange for such services, an Operations Support Provider may receive compensation and/or reimbursement (including, for the avoidance of doubt, equity and cash compensation) paid by a portfolio company, which may be retained by such Operations Support Provider and will not reduce the Advisory Fee payable to the Adviser by the Funds. Any equity and cash compensation received by Operations Support Provider will be at industry-standard rates. The Adviser, and/or its affiliates, may receive compensation and/or reimbursement (including, for the avoidance of doubt, equity and cash compensation) from a portfolio company that is organized, founded, or incubated by the Adviser (or its affiliates) in exchange for providing certain start-up services and/or industry knowledge to the respective portfolio company. To the extent a Fund invests alongside any other fund or funds managed by the Adviser or any of its affiliates, any Advisory Fee offset will be applied pro rata as among the Funds that have the applicable Advisory Fee offset in its Organizational Documents, unless otherwise determined in the Adviser’s good faith discretion. For a discussion of material conflicts of interest created by the engagement of such persons, please see Item 11 below.

#### *Certain Additional Fees and Reimbursements Excluded from Other Fees*

Certain additional fees and reimbursements are excluded from the definition of “Other Fees” and do not reduce the Advisory Fee.

A portfolio company will typically reimburse the Adviser for expenses, including, without limitation, travel and travel-related expenses (which include, without limitation, commercial and non-commercial transportation costs (including business class travel and private car travel), lodging and accommodations), meals and entertainment expenses (including, as applicable, closing dinners and mementos, cars and meals, social and entertainment events with portfolio company management, customers, clients, borrowers, brokers and service providers), meetings or other events (whether or not such programs, meetings, or events are attended by portfolio company personnel), expenses relating to hiring portfolio company personnel (including background checks, recruiting, and relocation expenses), indemnification expenses, certain legal expenses, and similar out-of-pocket expenses, as well as consulting fees and other cash and non-cash compensation and expenses, incurred by the Adviser in connection with its performance of services for such portfolio company. Such reimbursed expenses are generally not included in the definition of “Other Fees” under the terms of the applicable Organizational Documents, and such reimbursements do not reduce the Advisory Fee. Because certain expenses are paid for by a Fund and/or its portfolio companies or, if incurred by the Adviser, are reimbursed by a Fund and/or its portfolio companies, the Adviser may not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses.

From time to time, the Adviser (in its sole discretion) may agree to pay a portion of an Other Fee received from an actual or prospective portfolio company to a third party, such as a consultant, advisor, Operations Support Provider, and/or co-investor. The Adviser is not required to share the portion of the Other Fee paid to a third-party with the Funds (or their investors) and, therefore, the portion of an Other Fee paid to such third-party will not reduce the Advisory Fee.

An important part of the activities of the Adviser and its affiliates is founding, organizing and building portfolio companies. As part of these activities, the Adviser, its affiliates and its personnel may contribute intellectual property and strategic advice, provide office space, and furnish finance, reporting, information technology support, administration, accounting, back office and other similar services. In exchange for providing services and industry knowledge to these portfolio companies, the Adviser, its affiliates, and/or its personnel may receive compensation (in cash, equity or otherwise) from such portfolio companies as “founders’ equity”. The treatment of “founders’ equity” paid by a portfolio company that is organized, founded, or incubated by the Adviser or its affiliates is described in the applicable Fund Organizations Documents. The allocation of “founders’ equity” is done in accordance with the applicable Fund Organizations Documents and typically either the recipient of “founders’ equity” is permitted to retain 100% of cash fees and 50% of any non-cash compensation or the “founders’ equity” is retained by the Adviser or its affiliates. The amount of any “founders’ equity” that is retained by the recipient will not offset the Advisory Fees payable by a Fund, and will not otherwise benefit the Fund or its investors. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see Item 11 below.

Furthermore, for the avoidance of doubt, any amounts paid by a former portfolio company, such as directors’ fees a former portfolio company pays an Adviser professional, or Operations Support Providers who remain on the company’s board of directors following the Fund’s disposition of its investment in the company, is not considered to be an “Other Fee” and does not reduce the Advisory Fee payable by a Fund.

Any fees that accrue to the benefit of former Adviser professional or other persons who are or become unaffiliated with the Adviser (even if any such fee is earned during their tenure with the Adviser) are not considered “Other Fees” and do not reduce the Advisory Fees or otherwise benefit the Funds or their investors. Similarly, any fees that accrue to the benefit of Adviser professional or other persons who are affiliated with the Adviser prior to their association with the Adviser (even if any fee received in kind is realized or otherwise converted to cash during their tenure with the Adviser) are not considered “Other Fees” and do not reduce the Advisory Fees or otherwise benefit the Funds or their investors.

Certain Funds also have withdrawal fees. If an investor in a Fund with a withdrawal fee elects to withdraw capital prior to the end of the period specified in the applicable Organizational Documents of the Fund, such proceeds in respect to the withdrawal will be subject to a withdrawal fee applicable Organizational Documents of the Fund.

## **Expenses**

### **Adviser Expenses**

To the extent provided in the Organizational Documents of the Funds, and except as described herein as a Fund or portfolio company expense, the Adviser generally bears expenses and costs associated with the performance of its services, including, but not limited to, expenses on account of rent, utilities, office supplies, office equipment, the compensation and expenses of its members, partners, officers, and employees (other than Incentive Compensation described in Item 6 below) and other normal and routine administrative expenses relating to the services and facilities provided by the Adviser to the Funds.

### **Fund Expenses**

Consistent with the Organizational Documents of the Funds, each Fund will bear all other expenses relating to it to the extent not borne by its portfolio companies (if applicable), including (1) expenses incurred in the organization of the Fund and its General Partner and the offering of interests in the Fund (including costs and expenses related to marketing, advertising, printing, wholesaling, and other investor-related services); (2) all expenses of legal, accounting, auditing, investment banking, reporting, consulting (including, but not limited to, consulting fees incurred by the applicable Fund for the benefit of its portfolio company and fees of affiliated consultants), environmental, social and governance (“ESG”) assessment, impact assessment, advisory, appraisal, valuations, pricing services, and other professional services in connection with the administration and operation of the Fund (including maintaining the books and records of a Fund, including any related internal costs that the Adviser may incur to produce any such books and records or external costs for a third-party administrator to maintain and oversee a Fund’s books and records), including, without limitation, unreimbursed expenses involved in any transaction in which the Fund is involved, filing and similar fees paid on behalf of a Fund, including reimbursements of any fees and expenses to advisers, ESG and impact consultants, service providers and other third parties; (3) all custody, hedging, currency conversions, transfer, registration, and similar expenses incurred by the Fund; (4) all premiums for any key person life insurance policies payable to the Fund or for any insurance covering any person entitled to indemnity under the Fund’s limited partnership or operating agreement, and including insurance of which the Adviser and its affiliates are beneficiaries; (5) all expenses (including, without limitation, indemnification costs, compensation, and expense reimbursement) associated with the establishment and maintenance of the Fund’s advisory committee, as applicable (including set-up costs, speaker fees, honorarium, dining, entertainment, travel and travel-related expenses); (6) all expenses incurred in the preparation and distribution of reports and information about the Fund, including, without limitation, tax information, quarterly and annual reports, and financial information and financial statements (and the calculation of any data included therein), and any other communications with its investors, and expenses incurred in connection with holding meetings of investors or prospective investors, regardless of whether all investors are invited to participate in or attend such meetings (including set-up costs, speaker fees, honorarium, dining, entertainment, travel and travel-related and other expenses) (and such expenses may include a pro rata share of payments due to independent contractors and employees of the Adviser for work performed in connection with the foregoing activities); (7) all costs and expenses related to its investments and operations, including, without limitation, brokerage commissions (including the

costs associated with outsourced trading) and other transaction costs; clearing and settlement charges; margin and interest expense and commitment fees on debit balances or borrowings; borrowing charges on securities sold short; any issue or transfer taxes chargeable in connection with any securities transactions; (8) to the extent allowed by a Fund's Organization Documents, all or a portion of the finders' fees incurred in connection with the purchase or sale of securities; (9) taxes and other governmental charges, if any, filing fees, and the costs of preparing and filing tax returns and other reports; (10) all expenses associated with the establishment, formation, organization, maintenance and administration of any alternative investment vehicles; (11) travel and travel-related and entertainment expenses incurred in connection with the Fund's fundraising and investment activities, premium meals, social and entertainment events (with portfolio company management, customers, clients, borrowers, brokers and service providers); (12) organizational expenses of a Fund's General Partner; (13) research and other information (including research costs allocated by the Adviser's internal research team and third-party groups, and including systems and services from data providers and data management software) (including any research or other service that may be deemed to be bundled for the benefit of such Fund), as well as third-party diligence software and service providers, subject and industry-matter research and experts; (14) certain fund administration and legal expenses pertaining to a Fund; (15) expenses associated with a Fund's compliance with applicable laws and regulations, including regulatory filings as they relate to the Fund's activities including all fees and expenses relating to compliance with tax, securities law or other legal or regulatory requirements applicable to a Fund or its investors (including registration or other compliance obligations related to, or arising as a result of, the offering and sale of interests in a Fund in any jurisdiction, including any such obligations arising under the Alternative Investment Fund Managers Directive or the securities law of any jurisdiction, or from managing compliance with FATCA/CRS or similar regimes), out-of-pocket costs and expenses, if any, associated with any third-party examination or audits (including similar services) of a Fund or the Adviser that are attributable to the operation of such Fund or requested by one or more investors in a Fund; (16) expenses incurred in connection with complying with provisions in investor side letter agreements, including "most favored nation" provisions, and the costs associated with any amendments, modification, revisions or restatements to the Organizational Documents of a Fund; (17) a Fund's allocable share of expenses and fees generated in the course of sourcing, evaluating, investigating, diligencing, discovering, developing, and researching potential investments, including investments which are not consummated, including legal expenses incurred in connection with claims or disputes related to unconsummated investments; (18) a Fund's allocable share of expenses and fees incurred in the course of making investments; (19) a Fund's expenses for impact or ESG consultants and other expenses associated with compliance with any impact or ESG initiatives or principles; (20) expenses incurred in connection with any litigation involving the Fund (including, without limitation, investigation and preparation costs) and the amount of any judgment or settlement paid in connection therewith; (21) any liquidation expenses of the Fund; (22) the Advisory Fee; (23) any other fees and expenses approved by a Fund's advisory committee; and (24) expenses associated with a Fund, and other similar fees and expenses, as well as any other fees or expenses incurred by the Adviser or such Fund in connection with such Fund's operations that are not specifically set forth above as being paid by the Adviser.

In addition, the Adviser, from time to time, engages one or more fund administrators or similar service providers to perform certain functions in relation to the Funds, which services may include coordination of the Funds' legal entity management function, execution and recordkeeping

associated with applicable tax elections and filings, support for the valuation process and investor correspondence, investor data management and reporting requests as well as data collection required for various regulatory reporting with which the Funds are required to comply. These expenses related to such service provider employees are borne by the Funds.

### Dead Deal Costs

Consistent with the Organizational Documents of the Funds, each Fund will bear expenses relating to a proposed but not consummated transaction, (“Dead Deal Costs”). Such Dead Deal Costs may include, among other things, legal, consulting or other third-party expenses (including amounts payable to Operations Support Providers and other third parties), any travel and travel-related expenses, all fees, costs and expenses of lenders, investment banks and other financing sources in connection with arranging financing for a proposed investment (including commitment fees), any break-up fees, reverse termination fees, topping, termination or other similar fees, costs of negotiating co-investment documentation (including non-disclosure agreements with counterparties), the costs from onboarding (i.e., KYC) investment entities with a financial institution, expenses incurred in connection with any tax audit, investigation, settlement or review of the Funds, extraordinary expenses such as litigation costs and judgments and other expenses, and any deposits or down payments of cash or other property which are forfeited in connection with a proposed investment that is not consummated.

### Allocation of Expenses

From time to time the Adviser will be required to decide whether certain fees, costs, and expenses should be borne by the Adviser, a Fund (or Funds), a portfolio company, co-investors, and/or a third-party (each, an “**Allocable Party**”) and if so, how such fees, costs, and expenses should be allocated among the relevant Allocable Parties. Certain fees, costs, and expenses may be the obligation of one particular Allocable Party and may be borne by such Allocable Party or, fees, costs, and expenses may be allocated among multiple Allocable Parties. The Adviser allocates fees, costs, and expenses in accordance with a Fund’s Organizational Documents. To the extent not addressed in the Organizational Documents of a Fund, the Adviser will make allocation determinations among Allocable Parties on a fair and reasonable manner using its good faith judgment, notwithstanding its interest (if any) in the allocation. The allocation methodologies the Adviser uses may include pro rata allocation based on the respective capital commitments of a Fund, pro rata allocation based on the respective investments (or anticipated investments) of Allocable Parties in an investment, the relative benefits received by Allocable Parties, or such other equitable method as determined by the Adviser in its sole discretion). Notwithstanding the foregoing, Adviser Investors do not generally bear any expenses incurred in making an investment, and such investment expenses are generally borne by the Funds. The Adviser will make any corrective allocations and take any mitigating steps if it determines in its sole discretion, that such corrections are necessary or advisable to ensure allocations are equitable on an overall basis in its good faith judgment. Notwithstanding the foregoing, the portion of an expense allocated to a Fund for a particular service will not always reflect the relative benefit derived by such Fund from that service in any particular instance and the Adviser will determine an allocation of expenses to be fair and equitable even where a Fund is required to bear more than its proportional share of such fees or expenses relative to other Allocable Parties receiving the same service or participating in the same transaction. In addition, a Fund will bear more or less of a particular expense based on

the methodology used, and a Fund will bear more or less of a particular expense based on the number of Allocable Parties the Adviser selects to bear the expense in its initial allocation determination. When making expense allocation determinations, the Adviser generally will allocate an expense to one or more Allocable Parties that are in existence and identified as such at the time the expense allocation determination is made. Accordingly, it can be expected that in certain cases Allocable Parties that were not in existence or otherwise identified as Allocable Parties at the time an expense is allocated will ultimately benefit from a particular expense, without having borne any portion of such expense, and in such cases the Adviser will not re-allocate the expense to each such future Allocable Party, and such future Allocable Part(ies) will benefit at the expense of other Allocable Parties, including the Funds. There may be occasions when one Allocable Party (the **“Payor Allocable Party”**) pays an expense common to multiple Allocable Parties (e.g., legal expenses for a transaction in which multiple funds and/or co-investors participate). On such occasions, each Allocable Party will reimburse the Payor Allocable Party for its share of such expense, generally without interest, promptly after the payment is made by the Payor Allocable Party. In addition, there may be occasions where a Fund procures borrowing through a subscription line or credit facility in order to make an investment, syndicating out a portion of the investment to another Allocable Party. Subject to the Organizational Documents, the borrowing Fund will bear the entire cost of interest from the borrowing, even though the investment may ultimately be made by other Allocable Parties. Furthermore, while highly unlikely, it is possible that one of the Allocable Parties could default on its obligation to reimburse the Payor Allocated Party.

As noted above, certain Funds and/or portfolio companies also bear their allocable portion (as determined by the Adviser in its good faith) of the compensation expenses (including, without limitation, salary, bonus, payroll taxes, and benefits) attributable to certain employees, partners, members, or officers of the Adviser and its affiliates, without limitation, human resources, diversity and inclusion services, information technology and system-support services, administration (including, without limitation, the maintenance of a Fund’s books and records, periodic investor reporting, central administration and depository oversight), legal, tax, compliance, intellectual property, leveraged purchasing, valuation, ESG and impact compliance, regulatory risk reporting, data collection and risk management matters, and other professionals whose functions may also include the preparation of financial statements, investor reports (including the costs associated with providing access to a database or other internet forum for distribution of such reports), tax returns, the administration of assets and expenses of the Funds (including with respect to co-investment vehicles and feeder funds) and legal and regulatory compliance with applicable laws and regulations. It is expected that the services provided by Adviser employees will expand over time. No amounts paid in connection with these services will reduce the Advisory Fee. The allocation of such compensation and expenses between the Adviser, the Funds, and/or the portfolio companies require judgments as to methodology that the Adviser makes in good faith, but in its sole discretion. These allocation methodologies may include: requiring personnel to periodically record and allocate their time with respect to the Funds and/or the portfolio companies; the Adviser approximating the portion of time a person has spent with respect to a particular Fund and/or portfolio company; the assessment of an overall dollar amount (for instance, based on a fixed fee) that the Adviser believes represents a fair recoupment of expenses and a market rate for such services (which may, for the avoidance of doubt, be at the top of the range the Adviser determines to be reflective of rates in the applicable market and certain similar markets), and any other methodology determined by the Adviser to be appropriate under

the circumstances. The particular methodology used to allocate such amounts where services are provided are expected to vary depending on the types of services provided and could, in certain circumstances, change from one period to another. Any methodology chosen by the Adviser involves inherent conflicts of interest that could result in a greater expense to the Funds and portfolio companies than would be the case if such services were provided by third parties. While the Adviser may (in its sole discretion) obtain benchmarking data regarding third party rates for similar services, relevant comparisons may not be available for a variety of reasons, including as a result of lack of a substantial market of providers or users for such service, confidentiality reasons, and the bespoke nature of certain services. As a result, market comparisons may not (and often do not) result in precise comparable data for certain services. Expenses to obtain benchmarking data will be borne by a Fund and/or the portfolio company, as applicable and will not reduce the Advisory Fee.

The Adviser, from time to time, enters into arrangements with third-party advisers and consultants who provide services relating to deal-sourcing and investment opportunities, for which such advisers and consultants are paid compensation or other fees and/or are reimbursed for certain expenses. Any fees and expenses associated with such investment opportunities may be allocated to the applicable Fund(s), consistent with the allocation process described above.

### **Brokerage Fees**

Each Fund will pay brokerage fees and other transaction costs of the applicable brokers and/or custodians that they use from time to time, as further discussed in Item 12 below.

Neither the Adviser nor any of its supervised persons accepts any compensation for the sale of securities or other investment products, including interests in the Funds.

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

As discussed in Item 5, the Adviser or its affiliates receives performance-based fees in the form of Incentive Compensation from the Funds.

With respect to certain Funds, a portion of the profits of each such Fund is distributed to its General Partner, if any, as Carried Interest, equal to 20%. Each General Partner of a Fund is a related person of the Adviser. Carried Interest paid by a Fund is indirectly borne by investors in such Fund. Certain Funds and investors in such Funds (including Adviser Investors) may incur lower or no Carried Interest.

The General Partner of certain Funds that engage in the trading of public securities is entitled to receive Performance Allocation generally equal to 15% or 20% annually of the excess net profit over net losses related to public securities, subject to a high watermark. The Performance Allocation is generally made to the respective General Partner at the end of each year or sooner upon withdrawals by investors. The respective General Partner deducts Performance Allocations directly from client assets and does not bill investors in the Funds.

The payment by some, but not all, Funds of Incentive Compensation creates an incentive for the Adviser to disproportionately allocate time, services, or functions to Funds paying Incentive Compensation, or to allocate investment opportunities to such Funds. Generally, and except as may be otherwise set forth in the Organizational Documents of the Funds, this conflict is mitigated, at least in part, by (1) certain limitations on the ability of the Adviser to establish new investment funds, (2) contractual provisions requiring certain Funds to purchase and sell investments contemporaneously, and/or (3) contractual provisions and procedures setting forth investment allocation requirements. See also Item 11 below regarding allocation for additional information relating to how conflicts of interests are generally addressed by the Adviser.



## **Item 7. Types of Clients**

The Adviser currently provides investment supervisory services to the Funds. Investment advice is provided directly to the Funds (subject to the direction and control of the General Partner or board of directors of each such Fund, if applicable) and not individually to investors in such Fund.

Interests in the Funds are offered pursuant to applicable exemptions from registration under the Securities Act and the 1940 Act. Investors in the Funds are generally “qualified purchasers” as defined in the 1940 Act, and may include, among others, public pension plans, corporate pension plans, endowments, private pension plans, foundations, insurance companies, fund-of-funds, family offices, Operations Support Providers, other institutional investors, and high-net worth individuals.

The Adviser does not have a minimum size for a Fund, but minimum investment commitments may be established for investors in the Funds. The General Partner or board of directors of each Fund may, in its sole discretion, permit investments below the minimum amounts set forth in the Organizational Documents of such Fund.

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

### **Methods of Analysis and Investment Strategies**

The Adviser's investment strategy in managing the Funds varies based on each Fund's Organizational Documents. In general, the Adviser utilizes three distinct strategies to manage the Funds, which are summarized below.

The Adviser applies a due diligence process to each potential investment. The scientific and business risk and reward potential of each investment is analyzed in an effort to determine the value represented by the opportunity and whether an investment is warranted. Each investment has a senior investment team member who acts as that investment's sponsor. The Adviser periodically reviews its entire portfolio of investments.

### **Venture Funds**

The Adviser's investment strategy in managing the Funds relies on (1) the life sciences industry focus, experience, and expertise of its personnel, (2) proactive deal generation, including where possible, assembling assets to build companies from the ground up with the Adviser's direction and assistance, and (3) the active engagement of one or more Operation Support Providers in the Funds' portfolio companies. The Adviser seeks to identify companies and opportunities through its broad network of academic and entrepreneur relationships. Once an investment has been made, the Adviser assists the portfolio company to navigate through its pre-clinical, clinical, regulatory, and financial milestones, as applicable. The Funds generally will take minority positions in the equity of portfolio companies, however, in some instances the Funds may take majority and/or wholly own a portfolio company for a period of time. Each Fund's respective General Partner generally will seek to place person(s) on the boards of the portfolio companies in which such Fund invests.

The Venture Funds invest primarily in early-stage companies that are seeking their initial Series A financing, where the key value inflection point will likely be clinical "proof of concept" ("PoC"). The Adviser believes that Clinical PoC trials are generally small, fast, and relatively inexpensive, but can provide robust signs of effectiveness and safety in patients.

### **Hybrid Funds**

In addition, to incorporating the applicable attributes of the strategies described for the Venture Funds, the strategy for Hybrid Funds will generally focus on investing in private and public companies in areas of oncology, virology, new technologies, and new modalities for an investment, given the attractiveness of certain areas, such as: (1) breakthrough science fueling a wealth of investment opportunities with potential to cure and/or transform treatment for major diseases (including cancer); (2) large and rapidly growing markets in both developed and developing countries; (3) opportunities to invest in first- or best-in-class therapeutics that carry a competitive advantage; (4) leveraging the favorable regulatory environment to enable a fast and capital-efficient strategy to demonstrate human "Clinical POC"; and (5) potential exits via initial public offerings or strategic sales.

Certain Hybrid Funds also have an impact component as described in the Fund's Organization Documents. Such Funds will generally seek investments that the Funds believe have the opportunity to potentially contribute measurable progress toward the United Nations Sustainable Development Goals ("UN SDGs"), namely SDG 3 to *Ensure Healthy Lives and Promote Well-Being for All at All Ages*.

### **Hedge Funds**

For the Hedge Funds, the Adviser seeks to identify those companies in the healthcare industry which will create shareholder value by developing commercially important scientific, technological, and clinical advances. The strategy focuses on stocks of small and mid-cap public companies; provided, however, that the Adviser will opportunistically participate in investments of all market capitalizations. The Adviser believes that there are significant market inefficiencies in the small and mid-cap segments of the healthcare industry because the companies are poorly followed by the public markets due to the difficulty of assessing scientific, technological, and clinical assets. The Adviser believes its team's deep understanding of scientific, technology and clinical development processes, as well as its experience with early-stage companies, will allow it to identify those companies which will create shareholder value.

The Adviser relies on deep fundamental knowledge of medicine, science, diseases and their drugs and an internal team of research partners with years of experience in the life sciences field to assist us in its evaluation of potential investments. The Adviser applies a due diligence process to each potential investment. The due diligence process involves interacting with companies in the investable universe of the Adviser's investment strategy on a regular basis. In addition, the due diligence process also includes interacting with competitors, doctors, scientists, and academics to gather as much information as possible about prospective and current investments.

### **Risks**

Investing in securities involves a substantial degree of risk. A Fund may lose all or a substantial portion of its investments, and investors in the Funds must be prepared to bear the risk of a complete loss of their investments.

In addition, material risks relating to the investment strategies and methods of analysis described above, and to the types of securities typically purchased by or for the Funds, include the following:

#### **Business Risk**

The Funds will invest substantially all of their available capital (other than capital the Adviser determines in its sole discretion to retain in cash or cash equivalents or capital applied toward expenses and liabilities) in securities of portfolio companies. The types of investments that the Funds anticipate making involve a high degree of risk. In general, financial and operating risks confronting portfolio companies can be significant. The timing of profit realization is highly uncertain. Losses are likely to occur early in the Funds' lives, while successes often require a long maturation.

## **No Assurance of Investment Return**

The Adviser's task of identifying investment opportunities in portfolio companies and managing such investments is difficult. There is no assurance that the Funds will be able to invest their capital on attractive terms or generate returns for their investors. There is no assurance that the investments by the Funds will be profitable and there is a risk that the losses and expenses of the Funds will exceed income and gains. Any return on investment to limited partners will depend upon successful investments made on behalf of the Funds by the Adviser. As such, there is no assurance of any distribution to limited partners prior to or upon liquidation of the Funds. Limited partners should be prepared and able to absorb a loss of some or all of the capital invested in the Funds and bear the economic risk of an investment in the Funds for a substantial period of time.

## **No Assurance of Additional Capital for Investments**

After a Fund has financed an investment in a portfolio company, continued development and marketing of products may require that additional financing be provided. In particular, life science companies have substantial capital needs that are typically funded over several stages of investment. No assurance can be made that such additional financing will be available, and no assurance can be made as to the terms upon which such financing may be obtained. Alternatively, the Funds, either directly or through one of their portfolio companies, may elect to sell developed or undeveloped products or technologies to existing companies. No assurance can be made that buyers for such products or technologies can be located or that the terms of any such sale will be advantageous.

## **No Assurance of Investment Opportunities**

Although the Funds expect to have significant access to private investment opportunities through the Adviser's network of relationships, there can be no assurance that investment opportunities for the Funds will materialize and that companies select the Funds as an investor. Similarly, the Funds may be unable to identify or consummate investments in companies that meet its criteria.

## **Risks Relating to Due Diligence of and Conduct at Portfolio Companies**

Before making investments in any particular company, the Funds will typically conduct due diligence that the Adviser deems reasonable and appropriate based on the facts and circumstances applicable to each investment. Due diligence may entail evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants, investment banks, and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment. Such involvement of third-party advisors or consultants may present a number of risks primarily relating to the Funds' reduced control of the functions that are outsourced. In addition, if the Funds are unable to timely engage third-party providers, their ability to evaluate and acquire more complex targets could be adversely affected. When conducting due diligence and making an assessment regarding a potential investment, the Funds will rely on the resources available to them, including information provided by the target of the investment and, in some circumstances, third-party investigations, and/or consumer surveys. The due diligence investigation that the Funds carry out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or

helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful.

Instances of fraud and other deceptive practices committed by management of companies in which the Funds may invest may undermine the Funds' due diligence efforts with respect to such companies and may negatively affect the value of the Funds' investment in the portfolio company.

### **Investment in Companies Dependent upon New Scientific Developments and Technologies**

The Funds plan to focus their investing in life science companies. The value of the Funds' assets may be susceptible to factors affecting the life science industry and to greater risk and market fluctuation than an investment in funds that invest in a broader range of securities. The specific risks faced by life sciences companies include:

- rapidly changing science and technologies;
- new competing products and improvements in existing products which may quickly render existing products or technologies obsolete;
- exposure, in certain circumstances, to a high degree of government regulation, making these companies susceptible to changes in government policy and failures to secure, or unanticipated delays in securing, regulatory approvals;
- scarcity of management, technical, scientific, research and marketing personnel with appropriate training;
- the possibility of lawsuits related to patents and intellectual property rights; and
- rapidly changing investor sentiments and preferences with regard to life sciences sector investments (which are generally perceived as risky).

### **Risks Associated with the Life Sciences / Healthcare Industry**

The life science and healthcare industry is dominated by large multi-national corporations with substantially greater financing and technical resources than generally will be available to most of the portfolio companies. Such large corporations may be better able to adapt to the challenges presented by continuing rapid and major scientific, regulatory and technological changes as well as related changes in governmental and third-party reimbursement policies. Many of the portfolio companies will be at least partially dependent for their success upon governmental and third-party reimbursement policies that are under constant review and are subject to change at any time. Any such change could adversely affect the viability of one or more portfolio companies. Within the life science, healthcare, medical device and biotechnology industry, the development of products generally is a costly and time-consuming process. Many highly promising products ultimately fail to prove safe and effective. Products under development and pre-clinical testing generally will require extensive clinical testing prior to application for commercial use. There can be no assurance that the research or product development efforts of the portfolio companies or those of their collaborative partners will be successfully completed, that specific products can be manufactured in adequate quantities at an acceptable cost and with appropriate quality, or that such products can be successfully marketed or achieve customer acceptance.

Many of the portfolio companies will depend heavily upon intellectual property for their competitive position. There can be no assurance that the portfolio companies will be able to obtain

patents for key inventions. Moreover, within the life sciences/health care industry, patent challenges are frequent. Even if patents held by the portfolio companies are upheld, any challenges thereto may be costly and distracting to the portfolio companies' management.

### **Health Research and Innovation**

The healthcare industry spends heavily on research and development. Research findings (e.g., regarding side effects or comparative benefits of one or more particular treatments, services or products) and technological innovation (together with patent expirations) may make any particular treatment, service or product less attractive if previously unknown or underappreciated risks are revealed, or if a more effective, less costly or less risky solution is or becomes available. Any such development could have a material adverse effect on the portfolio companies.

### **Scientific Risk**

Grant funding of academic research may decline and/or stagnate due to budget cuts. The companies financed by the Funds may rely on the innovation nurtured by these grants, which often takes many years before maturing enough to enter company sponsored drug discovery. Further reductions in grant funding, particularly with young, productive investigators, could negatively impact the long-term returns of the Funds.

### **Regulatory Risk**

The U.S. Food and Drug Administration (the "FDA") has recently implemented policy to accelerate the approval process for breakthrough therapies, from which oncology, virology, and new modalities have benefited disproportionately. For example, cancer drugs as well as therapies in the new modalities may get approval with a single, modestly sized clinical trial that may not require survival data (which often can require large patient populations over extended periods of time). So far, these policies have had strong public and industry support, but additional examples of drug failures could reverse practice.

### **Impact of Competition**

While the Adviser believes that the Funds' target market is undercapitalized, the business of identifying and structuring transactions of the nature contemplated by the Funds is highly competitive and involves a high degree of uncertainty. Intermediation by financial third parties has increased, substantial amounts of funds have been dedicated to making investments in the private sector, and the competition for investment opportunities in certain subsectors is particularly intense. The Funds will compete with other venture capital funds, as well as with other investors, the private equity arms of investment banks and corporate buyers for investments that the Funds will make. Some of these potential competitors may have greater financial and personnel resources than the Funds or the Adviser. As a result of this competition, there may be fewer attractively priced investment opportunities than anticipated and the Adviser may not be able to identify and successfully close a sufficient number of high-quality investments to utilize all of the Funds' capital. Such competition may adversely impact the length of time required to fully invest the Funds' capital and may adversely impact the returns to the Funds.

There can be no assurance that the Funds will be able to locate suitable investment opportunities,

acquire them for an appropriate level of consideration, achieve its targeted rate of return, or fully invest their available committed capital.

## **Equity Securities**

The Funds will generally hold investments in equity securities. Equity securities may include common and preferred stocks and warrants, rights and equivalents. As with other investments that the Funds may make, the value of equity securities held by the Funds may be adversely affected by actual or perceived negative events relating to the issuer of such securities, the industry or geographic areas in which such issuer operates or the financial markets generally. However, equity securities may be even more susceptible to such events given their subordinate position in the issuer's capital structure. As such, equity securities generally have greater price volatility than fixed income securities or debt instruments. The Funds' portfolio companies could pay dividends to equity holders and any such dividends, if paid, may be suspended or cancelled at any time. Minority owners of equity securities may have limited protections against adverse actions by majority shareholders. In addition, if an issuer of equity securities in which the Funds have invested sells additional shares of its equity securities and the Funds do not participate in such subsequent offering, the Funds' interest in the issuer will be diluted and the value of the Funds' investment may decrease.

## **Non-U.S. Investments**

The Funds have made and intend to consider making in the future a certain number of investments outside of the United States or the operations of which are primarily outside of the United States. Any investment in a foreign country involves risks not found in the domestic securities market, including the following: the risk of economic and financial instability in the foreign country, which in some cases may include a collapse in credit markets, stock prices, currencies and/or consumer spending; the risk of adverse social and political developments, including nationalization, confiscation without fair compensation, political and social instability and war; the risk that the foreign country may impose restrictions on the repatriation of investment income or capital or on the ability of foreign persons to invest in certain types of companies, assets or securities; risks related to the possible lack of availability of sufficient financial information as a result of accounting, auditing, and financial disclosure standards that differ, in some cases significantly, from those in the United States; risks related to foreign laws and legal systems, which are likely to differ from those of the United States, including in particular the laws with respect to the rights of limited partners which may not be as comprehensive or well developed as those in the United States and the procedures for the judicial or other enforcement of such rights which may not be as effective as in the United States; risks related to the fact that some investments or portfolio company operations may be denominated in foreign currencies and, therefore, will be subject to fluctuations in exchange rates; and risks related to applicable tax laws and regulations and tax treaties, which are likely to vary from country to country and may be less well developed than those in the United States, possibly resulting in retroactive taxation so that the Funds could become subject to an unanticipated local tax liability. The profits or losses of the Funds on any investment, as measured in United States dollars, will be affected by fluctuations in currency exchange rates and exchange control regulations as well as by the success of the investment itself. In addition, the Funds may incur costs in connection with conversions between various currencies.

## **Currency Risks**

The functional currency of the Funds will be U.S. dollars (“USD”). Capital commitments, capital contributions and distributions of cash generally will be stated, made or payable in USD. A limited partner whose functional currency is not USD will bear substantial risks associated with fluctuating currency exchange rates, particularly with regard to capital contributions that may not become due for several years. Moreover, the Funds’ investments may be denominated in, and generate income or gain in, non-USD currency and the books of the Funds will be maintained in USD. Accordingly, changes in currency exchange rates may adversely affect the USD value (or other currency value) of the investments and the amounts of distribution, if any, to be made by such investments to the Funds.

## **Compliance with Applicable Law**

Although the Adviser will seek for it and the Funds to comply with all U.S. federal, state and local lending regulations and to obtain all required licenses, there is no assurance that the Adviser or the Funds will be able to obtain all required licenses or always be compliant or that there will not be allegations of non-compliance even if the Adviser and the Funds were or are fully compliant. Any violation of applicable law or failure to comply with regulatory requirements could result in, among other things, revocation of required licenses or registrations, loss of approval status, termination of contracts without compensation, damages, fines, penalties, litigation costs, investigation costs and even restrictions on the ability of the Funds’ ability to conduct business.

## **Financial Market Fluctuations; Political Measures**

The Funds’ investment programs are intended to extend over a period of years, during which the business, economic, political, regulatory, and technology environment within which the Funds operates may undergo substantial changes. General fluctuations in the market prices of securities may affect the value of the Funds’ investments and instability in the securities markets will also likely increase the risks inherent in the Funds’ investments. There can be no assurance that such economic and market conditions will be favorable in respect of both the investment and disposition activities of the Funds.

The Funds’ ability to realize investments depends not only on their portfolio companies and those companies’ historical results and prospects, but also on political, market and economic conditions at the time of such realizations. In the past, many private investment funds have looked to the public securities markets as a potential exit strategy and there can be no assurance that the Funds will be able to exit from investments in portfolio companies by listing their shares on securities exchanges. The trading market, if any, for the securities of any portfolio company may not be sufficiently liquid to enable the Funds to sell these securities when the Adviser believes it is most advantageous to do so. Renewed volatility in the financial sector may have a material adverse effect on the ability of the Funds to buy, sell and partially dispose of its investments. The Funds may be adversely affected to the extent that they seek to dispose of any of their investments into an illiquid or volatile market, and the Funds may find themselves unable to dispose of investments at prices that the Adviser believes reflect the fair value of such investments. The duration and ultimate effect of current market conditions and whether such conditions may worsen cannot be predicted. The ability of portfolio companies to refinance debt securities may depend on their



ability to sell new securities in the public high yield debt market or otherwise. The Funds' portfolio companies may depend on the availability of capital financed from third parties and to the extent such capital is not available on reasonable terms or at all, those of the Funds' portfolio companies that rely on such capital may be adversely impacted in a manner that they would not have been had they been able to access such capital. In addition, political measures taken in response to market practices or renewed economic instability in the United States or abroad may have an adverse impact on the Funds' investments.

### **Market Disruptions; Governmental Intervention**

The global financial markets have in past years gone through pervasive and fundamental disruptions that have led to extensive governmental intervention. Such intervention was in certain cases implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, certain of these interventions have been unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies.

### **Nature of Direct Investments**

Certain Funds may take a controlling stake in certain privately-held companies from time to time. The exercise of control over a company through a control position, or the service of an affiliate, employee, or member of the Adviser as an officer or director of such company, could (1) expose the assets of the Funds to claims by such company, its security holders, and creditors, or (2) impose additional risks of liability for failure to supervise management, violation of governmental regulations, and other types of liability in which general limited liability protections are ignored. If these liabilities were to occur, the Funds would likely suffer losses with respect to its investments.

Many of the Funds' investments will be highly illiquid. As such, there will be no public markets for the securities held by the Funds and there can be no assurance that the Funds will be able to realize such investments in a timely manner. In addition, the realization of value for any investments will not be possible or known with any certainty until the Adviser elects, in its sole discretion, to sell the Funds' investments and subsequently distribute the proceeds or to distribute securities to limited partners in lieu of cash.

### **Illiquidity of Portfolio Investments**

It is anticipated that all or a substantial portion of certain Funds' investments will consist of securities that are subject to restrictions on sale by the Funds because they were acquired from the issuer in "private placement" transactions or because the Funds will be deemed to be an affiliate of the issuer. Generally, the Funds will not be able to sell these securities publicly in the United States without the expense, time and other burdens required to register the securities under the Securities Act, or will be able to sell the securities only under Rule 144 or other rules under the Securities Act which permit limited sales under specified conditions. When restricted securities are sold to the public, the Funds may be deemed an "underwriter", or possibly a controlling person, with respect thereto for the purpose of the Securities Act and be subject to liability as such under

the Securities Act.

In addition, practical limitations may inhibit the Funds' ability to liquidate certain of its investments in portfolio companies since the issuer will be privately held and the Funds may own a relatively large percentage of the issuer's equity securities. Sales may also be limited by market conditions, which may be unfavorable for sales of securities of particular issuers or issuers in particular industries. The above limitations on liquidity of the Funds' investments could prevent a successful sale thereof, result in delay of any sale, or reduce the amount of proceeds that might otherwise be realized.

### **Limitations on Ability to Exit Investments**

The Adviser expects to exit from the Funds' privately-held investments in two principal ways: (1) private sales (including acquisitions of its portfolio companies), and (2) initial and secondary public offerings. At any particular time, one or both of these avenues may not be open to the Funds, or timing with respect to these exit mechanisms may be inopportune. In particular, the receptiveness of the public market to the Funds' portfolio companies may vary dramatically from period to period, and an otherwise successful portfolio company may yield poor investment returns if the Funds are unable to dispose of securities of such portfolio company due to poor market conditions in the market for publicly traded securities. As such, the ability to exit from and liquidate portfolio holdings may be constrained at any particular time.

### **Potential Liabilities**

In connection with its investments, the Funds may negotiate the right to appoint one or more of the principals of the Adviser as a member of the portfolio company's board of directors. Such membership on the board of directors of a company can result in the Funds or the individual director being named as a defendant in litigation or other disputes or investigations. The Funds may also participate in portfolio company financings at valuations lower than the valuations in preceding rounds of financing. Disputes arising out of such down-round financings may result in the Funds, the Adviser, or its members being named as defendants. Typically, portfolio companies will have insurance to protect directors and officers, but this insurance may be inadequate. The Funds will also indemnify the Adviser and its respective affiliates among others, for liabilities incurred in connection with operations of the Funds, including liabilities arising from such disputes. Such indemnification obligations and other liabilities could be substantial. The investors may also be required to return distributions previously made to them to satisfy the Funds' indemnification obligations. While the Adviser intends to manage the Funds in a way that will minimize exposure to these risks, the possibility of successful claims or lawsuits or adverse regulatory action cannot be eliminated, and such events could have significant adverse effects on the Funds.

### **Contingent Liabilities on Disposition of Investments**

In connection with the disposition of an investment in a portfolio company, the Funds may be required to make representations about the business and financial affairs of such company typical of those made in connection with the sale of a business. The Funds may be required to indemnify the purchasers of such investment and may be liable to the purchasers for breach of contract to the

extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities for which reserves and escrows may be established. In that regard, distributions may be delayed or withheld until such reserve is no longer needed or the escrow period expires. Investors may also be required to return distributions previously made to them to satisfy the Funds' obligations with respect to the foregoing.

### **Failure to Make Follow-On Investments**

Following an initial investment in a portfolio company, a Fund may make additional investments in that portfolio company as "follow-on" investments, in seeking to preserve or enhance the value of that Fund's investment. Failure to make follow-on investments may, in some circumstances, jeopardize the continued viability of a portfolio company and a Fund's initial investment, or may result in a missed opportunity for a Fund to increase its participation in a successful operation. Even if a Fund has sufficient capital to make a desired follow-on investment, the Adviser may elect not to make a follow-on investment because the Adviser may not want to increase such Fund's level of risk or because the Adviser prefers other opportunities for that Fund.

### **Bridge Financing**

A Fund may lend to portfolio companies on a short-term, unsecured basis in anticipation of a future issuance of equity or long-term debt. Such bridge loans would typically be convertible into a more permanent, long-term security; however, for reasons not always in the Fund's control, such long-term securities may not be issued and such bridge loans may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by the Fund.

### **Leverage**

To the extent any portfolio company borrows or enters into other financing transactions requiring periodic payments, such investment will be subject to increased exposure to adverse economic factors such as a significant rise in interest rates, a severe downturn in the economy or deterioration in the condition of such portfolio company or its industry. If such a portfolio company is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the value of any equity investment by the Funds in such portfolio company could be significantly reduced or even eliminated.

### **Reserves**

The Adviser may establish reserves for follow-on investments by the Funds in portfolio companies, operating expenses (including the Advisory Fee), liabilities of the Funds, and other matters. Estimating the appropriate amount of such reserves is difficult, especially for follow-on investment opportunities, which are directly tied to the success and capital needs of portfolio companies. Inadequate or excessive reserves could impair the investment returns to the investors. If reserves are inadequate, the Funds 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 are excessive, the Funds may not be able to consider all available investment opportunities.

## **Improvement in Portfolio Company Operations Critical to Investment Success**

The success of the Funds' private company investment strategy depends on the effectiveness of efforts to improve the operating performance of portfolio companies following investment. Initiatives that may need to be taken in an effort to achieve improvements in operating performance include, among others, introductions of new products, changes in sales, marketing and distribution methods, implementation of new sourcing arrangements, reductions in overhead and other costs, enhancements and changes in the management team and identification, consummation and integration of add-on acquisitions. The proper identification and implementation of initiatives important to the achievement of improved operating performance is difficult and often requires substantial resources. The capabilities and resources of a portfolio company, even with the assistance of the Adviser, may be insufficient to effect such proper identification and implementation, and there can be no assurance that portfolio companies will be successful in achieving improvements in operating performance. The failure to achieve improved operating results following investment is likely to lead to losses or poor returns on investments.

## **Investments in Early-Stage and New Companies**

The Funds invest a significant portion of their assets in the securities of early-stage companies or entirely new companies. Investments in such early-stage or newly formed companies often involves greater risks than generally are associated with investments in more established companies. Less established companies tend to have lower capitalizations and fewer resources and, therefore, often are more vulnerable to financial failure. Such companies also may have shorter operating histories on which to judge future performance and in many cases, if operating, will have negative cash flow. Start-up enterprises may not have significant or any operating revenues, and any such investment should be considered highly speculative and may result in the loss of a Fund's entire investment therein. There can be no assurance that any such losses will be offset by gains (if any) realized on a Fund's other investments. Early-stage and development-stage companies often experience unexpected problems in the areas of product development, manufacturing, marketing, financing and general management, which, in some cases, cannot be adequately solved. In addition, such companies may require substantial amounts of financing which may not be available through institutional private placements or the public markets. The percentage of companies that survive and prosper can be small.

## **Service on Boards of Directors, Material, Non-Public Information, Etc.**

The Adviser, its affiliates, and its employees or members may serve as officers or directors of portfolio companies or other companies or provide services or work at other organizations. While acting in such a capacity (or even simply by virtue of a Fund's status as a significant shareholder of a portfolio company), such persons may become subject to fiduciary or other duties which adversely affect the Funds. For example, the Funds may be unable to sell or otherwise dispose of portfolio securities if a member of the Adviser is in possession of material, non-public information relating to the issuer thereof or subject to other trading restrictions. Nevertheless, the Advisory Agreement and Organizational Documents will not preclude members of the Adviser from serving as officers or directors of portfolio companies or otherwise acquiring material, non-public information regarding portfolio companies or other companies. Conversely, the Advisory Agreement and Organizational Documents will not require that members of the Adviser serve as

officers or directors of portfolio companies, and there can be no assurance that the Adviser will have a legal right to influence the management of any portfolio company.

### **Investment in Publicly Traded Securities**

Subject to the terms of the Organizational Documents, the Funds will invest in publicly traded securities. Investments in public securities can entail certain risks. For example, the Funds and the Adviser may obtain less information and disclosure about a company whose securities are publicly traded than from a privately-held company. Further, the market for publicly traded securities is extremely volatile due to economic conditions, political events, and for many other reasons. Such volatility may adversely affect the ability of the Funds to dispose of investments or affect the value of investment securities on the date of sale by the Funds. Furthermore, notwithstanding the existence of a public market for the securities of a particular portfolio company, publicly traded securities held by the Funds may be thinly traded or may cease to be traded after the Funds invest in them. Any securities that the Funds hold that are thinly traded may be subject to wider price fluctuations than other companies whose securities are more actively traded, and the spreads between the bid and ask prices of thinly traded securities of these companies may be larger than the spreads for more actively traded securities. There can be no assurance that the Funds' investments in publicly traded securities will be profitable, and there is a material risk that the Funds could incur losses from their investments in publicly traded securities.

### **Lower Priced Securities**

The Funds may invest in securities with relatively low prices, which may be subject to greater percentage price fluctuations than higher priced securities.

### **Non-Diversified Investments**

The portfolio companies will be concentrated in healthcare and life science companies, which concentration may involve risks greater than those generally associated with diversified investment funds. The Funds may also invest their assets in a limited number of portfolio companies. A consequence of a limited number of investments and of investments in the same few industries is that the aggregate returns realized by limited partners may be adversely affected by the unfavorable performance of a small number of these investments or in the industries.

### **Minority Investments**

Investments made by certain Funds may be minority stakes in public or privately-held companies. In addition, during the process of exiting investments in privately-held companies via a public offering, the Funds are highly likely to hold minority equity stakes. As is the case with minority holdings in general, such minority stakes that the Funds may hold will have neither the control characteristics of majority stakes nor the valuation premiums attributable to majority or controlling stakes. The Funds may also invest in portfolio companies for which the Funds have no right to appoint a director or otherwise exert significant influence. In such cases, the Funds will be reliant on the existing management and board of directors of such companies, which may include representatives of other financial investors with whom the Funds are not affiliated and whose interests may conflict with the interests of the Funds.

## **Legal, Tax, and Regulatory Risks**

Legal, tax and regulatory changes could occur during the term of the Funds that may adversely affect the Funds. The products of portfolio companies and some assets of the Funds may be subject to extensive and rigorous regulation by United States local, state and federal regulatory authorities and by foreign regulatory bodies. There can be no assurance that products developed by the portfolio companies will ever be approved by such governmental authorities. Prior to the grant of marketing approvals by the FDA and corresponding regulatory authorities outside of the U.S., many of the products of portfolio companies may have to undergo extensive investigation and clinical trials to meet stringent safety and efficacy requirements. There have been instances when the discovery of previously unknown problems with a product, manufacturer or facility have resulted in restrictions on the use or the manufacture of such product, including costly recalls or even withdrawal of the product from the market. Such events, whether voluntarily or mandated by a regulatory authority, typically result in an immediate reduction or discontinuation of revenues from the product worldwide. If such an event were to occur, it would likely have a significant and adverse effect on the performance of a particular product or associated royalty interest and could have a material adverse effect on the aggregate performance of a Fund.

Additionally, the financial services industry generally, and the activities of private investment funds and their managers in particular, have recently been subject to intense and increasing regulatory scrutiny. Such scrutiny may increase the Funds' exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight may also impose additional administrative burdens on the Adviser, including, without limitation, responding to investigations, and implementing new policies, procedures and reporting requirements. Such burdens may divert the Adviser's time, attention and resources from its activities on behalf of the Funds. This brochure cannot address or anticipate every possible current or future regulation that may affect the Funds, the Adviser, or their respective businesses. Such regulations may have a significant impact on the Funds, the Adviser or the operations thereof.

The legal, tax and/or regulatory regime rules or their interpretation in relation to an investment by the Funds or an investment in the Funds may be subject to differing interpretations and may change during its life and any tax or regulatory summary contained in this brochure may become out of date. Any such changes may have an adverse effect on the Funds or such investment.

## **Valuation of Assets**

There is no actively traded market for securities owned by many of the Funds. When estimating fair value, the Adviser will apply a methodology based on its best judgment that is appropriate in light of the nature, facts and circumstance of the investments. Valuations are subject to multiple levels of review for approval and ensuring that portfolio investments are fairly valued is an important focus of the Adviser. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and differs from the prices at which such securities may ultimately be sold. The Adviser may value securities internally based on a variety of factors, including, but not limited to, recent financing events, material changes in performance, long term financial prospects, material market changes affecting the company, industry, or financial markets, comparable companies' transaction values,

industry valuation benchmarks, and/or material changes to a company's business. The Adviser will strive to ensure that all such valuations take into consideration applicable current market conditions. Third-party pricing information may not be available regarding certain of a Fund's assets. Additionally, when it is available, the Adviser, in its sole discretion, may decide to use or not to use third-party pricing information regarding the valuation of a Fund's assets. With respect to the Funds, the exercise of discretion in valuation by the Adviser gives rise to conflicts of interest. Valuations (including a determination of when an investment should be written down or written off) impact the Adviser's track record and such valuations may affect the amount and timing of performance fees and the calculation of Advisory Fees if the Fund's Advisory Fees are based on the value of the Fund's assets.

## **Cybersecurity Risk**

The Adviser, the Funds' service providers and other market participants depend on complex and often interconnected information technology and communications systems to conduct business functions. These systems are subject to a number of different threats and other risks that could adversely affect the Funds and their investors, despite the efforts of the Adviser and the Funds' service providers to adopt technologies, processes and procedures intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the security, confidentiality, integrity and availability of information belonging to the Fund and its investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, encrypt or otherwise prevent access to these systems of the Adviser, the Funds' service providers and counterparties, as well as the data stored by these systems, including investor information. The Adviser and the Funds' service providers may be subject to ransomware or other attacks that could cause a substantial business disruption or loss of availability of data that could prevent the Funds and Adviser from executing its investment strategy or accessing an account, which could lead to financial losses. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of the Adviser's systems to disclose sensitive information in order to gain access to the Adviser's data or that of the Funds' investors or to transfer funds to unauthorized third parties. A successful penetration or circumvention of the security of the Adviser's systems by unauthorized third parties could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause the Funds, the Adviser or their service providers to incur regulatory penalties, reputational damage, additional compliance costs, increased insurance premiums or financial loss. In addition, the Adviser may incur substantial costs related to investigation and remediation of the cybersecurity incident, increasing and upgrading cybersecurity protections including its administrative, technical, organizational and physical controls, acts of identity theft, unauthorized use or loss of proprietary information, adverse investor reaction, increased insurance premiums or difficulties obtaining insurance coverage, or litigation, regulatory actions or other legal risks.

Similar types of operational and technology risks are also present for the companies in which the Funds invest, which could have material adverse consequences for such companies, and may cause the Funds' investments to lose value.

## **Risks of Artificial Intelligence (“AI”)**

The Adviser’s ability to use, manage and aggregate data may be limited by the effectiveness of its policies, systems and practices that govern how data is acquired, validated, used, stored, protected, processed and shared. Failure to manage data effectively and to aggregate data in an accurate and timely manner may limit the Adviser’s ability to manage current and emerging risks, as well as to manage changing business needs and to adapt to the use of new tools, including AI. While the Adviser may restrict certain uses of third-party and open source AI tools, such as ChatGPT, the Adviser’s employees and consultants and a Fund’s portfolio companies may use these tools, which poses additional risks relating to the protection of the Adviser’s and such portfolio companies’ proprietary data, including the potential exposure of the Adviser’s or such portfolio companies’ confidential information to unauthorized recipients and the misuse of the Adviser’s or third-party intellectual property, which could adversely affect the Adviser, a Fund or its portfolio companies. Use of AI tools may result in allegations or claims against the Adviser, a Fund or its portfolio companies related to violation of third-party intellectual property rights, unauthorized access to or use of proprietary information and failure to comply with open-source software requirements. Additionally, AI tools may produce inaccurate, misleading or incomplete responses that could lead to errors in the Adviser’s and its employees’ and consultants’ decision-making, portfolio management or other business activities, which could have a negative impact on the Adviser or on the performance of a Fund and its portfolio companies. Such AI tools could also be used against the Adviser, a Fund or its portfolio companies in criminal or negligent ways. As the use and availability of AI tools has grown, the U.S. Congress and a number of U.S. federal and state agencies have been examining the AI tools and their use in a variety of industries, including financial services. These agencies have issued proposed or adopted a variety of rules and other guidance regarding the use of AI. AI similarly faces an uncertain regulatory landscape in many foreign jurisdictions. Ongoing and future regulatory actions with respect to AI generally or AI’s use in any industry in particular may alter, perhaps to a materially adverse extent, the ability of the Adviser, a Fund or its portfolio companies to utilize AI in the manner it has to-date, and may have an adverse impact on the ability of the Adviser, a Fund or its portfolio companies to continue to operate as intended.

## **Tax Reform Risks**

Tax law is subject to change and various historic and current legislative proposals could affect the Funds and the investors. Under current law, capital gains in respect of a General Partner’s right to Carried Interest will be subject to a three-year “holding period” in order to be classified as “long term capital gains,” while the corresponding holding period requirement with respect to capital gains that Fund investors are allocated is one year. This Carried Interest holding period requirement could affect investment decisions, including the timing and structure of dispositions and other realization events, and it could adversely impact returns for investors. For example, the holding period requirement may incentivize the General Partner to cause a Fund to hold an investment for longer than three years in order for the General Partner to obtain a preferential tax rate on Carried Interest, even if there are attractive realization opportunities prior to that time. Further, there are currently administrative and legislative proposals to further change the tax treatment of “carried interest” in ways that may be adverse to partners in the General Partner. A General Partner and the Adviser may take these potential adverse consequences into account in their management and operation of the Funds and in addressing these adverse consequences, the



interests of the General Partner and the Adviser, on the one hand, may diverge from the interests of the investors, on the other hand.

### **Environmental, Social, and Governance (“ESG”) Matters**

While ESG is one of many factors the Adviser will consider in making an investment. There is no guarantee that the Adviser will successfully implement and make investments in companies that creates a positive ESG impact while achieving financial returns for investors in Funds. To the extent that the Adviser engages with companies on ESG-related practices and potential enhancements thereto, such engagements may not achieve the desired financial and social results, or the market or society may not view any such changes as desirable. Successful engagement efforts on the part of the Adviser will depend on the Adviser’s skill in properly identifying and analyzing material ESG and other factors and their impact-related value, and there can be no assurance that the strategy or techniques employed will be successful. Considering ESG qualities when evaluating an investment may result in the selection or exclusion of certain investments based on the Adviser’s view of certain ESG-related and other factors, and carries the risk that the Adviser may underperform funds that do not take ESG-related factors into account because the market may ultimately have a different view of a particular company’s performance than that anticipated by the Adviser.

Consideration of ESG factors may affect the Adviser’s exposure to certain companies, sectors, regions, countries or types of investments, which could negatively impact the Adviser’s performance depending on whether such investments are in or out of favor. Applying ESG investing goals to investment decisions is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by the Adviser or any judgment exercised by the Adviser will reflect the beliefs or values of any particular investor. In evaluating a company, the Adviser is dependent upon information and data obtained through voluntary or third-party reporting that may be incomplete, inaccurate or unavailable, which could cause the Adviser to incorrectly assess a company’s ESG practices and/or related risks and opportunities. ESG-related practices differ by region, industry and issue and are evolving accordingly, and a company’s ESG-related practices or the Adviser’s assessment of such practices may change over time.

Further, ESG practices are evolving rapidly. Asset managers and other investors currently use a variety of different principles, frameworks, methodologies, and tracking tools, and the Adviser’s ESG policies and practices may vary over time. There is also a growing regulatory interest across jurisdictions in improving transparency regarding the definition, measurement and disclosure of ESG factors. The Adviser’s ESG policies and practices could become subject to additional regulation in the future, and the Adviser cannot guarantee that its current approach will meet future regulatory requirements.

### **General Risks Related to Funds with an Impact Component**

The Hybrid Funds invest in companies that the Funds believe meaningfully improve patient and societal outcomes and that the Funds believe have the potential to fundamentally alter the treatment paradigm for serious, unmet medical needs. These Funds seek investments that the Funds believe have the opportunity to potentially contribute measurable progress toward the United Nations Sustainable Development Goals (“UN SDGs”), namely SDG 3 to *Ensure Healthy Lives and*

*Promote Well-Being for All at All Ages.* These Funds may determine to forgo an investment that could provide favorable returns because, in the opinion of the Adviser, that investment would not have sufficient impact and the Funds' performance may suffer as a result.

The Adviser's task of identifying impact investment opportunities in portfolio companies and managing such impact investments is difficult. The Adviser intends for each portfolio company in its impact funds to create meaningful impact. However, there is no assurance that the investments by these Funds will reach the impact goals or create meaningful impact during the time that the Fund holds the investment and/or after the Fund exits the investment and it is likely that at least some of the portfolio companies will not meet key impact metrics along the drug development pathway.

### **Investments in Impact-Oriented Companies**

The Funds may invest in impact-oriented companies that make decisions or otherwise pursue courses of action that may sacrifice profitability or otherwise not be in the short-term operating or financial interest of the Funds, but instead may be in the interest of achieving or contributing to certain socio-economic and health outcomes. Conversely, the Funds may invest in companies which intend to pursue impact-oriented strategies at the time of the Fund's investment but later cease to pursue such strategies in the interest of achieving better financial or economic outcomes or for other reasons. As a result, there can be no assurance that any company in which the Funds invest will achieve either its financial goals or its impact objectives.

The Funds will take into account the potential impact of such investment when making decisions regarding the selection, management, and disposal of investments. In certain situations, the potential impact may be in tension with or may outweigh financial considerations. As a result of the Funds' impact assessment process, each Fund may have a different portfolio, and the portfolio may perform differently, from a fund that relies solely or primarily on financial metrics and does not explicitly consider impact as part of its investment process. The potential conflict between impact and financial returns may arise in connection with decisions about both the making and exiting of portfolio investments. For example, a Fund may reject an opportunity to increase the financial return of an existing investment in order to preserve the impact of such investment. In addition, the Fund may refrain from disposing of an underperforming investment for a longer period of time than would otherwise be the case in order to give the portfolio company more time to demonstrate impact. As a result, the Funds may achieve lower returns than if they did not take impact into account in deciding when and whether to invest in a company or exit from that investment. On the other hand, a Fund may determine in any particular situation to take steps that are intended to preserve or enhance its financial returns, even if that decision would adversely affect the anticipated impact associated with the investment.

### **Market Disruption, Health Crises, Terrorism, and Geopolitical Risk**

A Fund is subject to the risk that war, terrorism, global health crises or similar pandemics, and other related geopolitical events may lead to increased short-term market volatility and have adverse long-term effects on world economies and markets generally, as well as adverse effects on issuers of securities and the value of a Fund's investments. War, terrorism, and related geopolitical events, as well as global health crises and similar pandemics have led, and in the future

may lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally. Those events as well as other changes in world economic, political and health conditions also could adversely affect individual issuers or related groups of issuers, securities markets, interest rates, credit ratings, inflation, investor sentiment and other factors affecting the value of a Fund's investments. At such times, a Fund's exposure to a number of other risks described elsewhere in this section can increase.

### **Possibility of Fraud and Other Misconduct of Employees and Service Providers**

Misconduct by employees of the Adviser, service providers to the Adviser or the Funds, and/or their respective affiliates could cause significant losses to such Funds. Misconduct may include entering into transactions without authorization, the failure to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by such Funds, the improper use or disclosure of confidential or material, non-public information, which could result in litigation, regulatory enforcement, or serious financial harm, including limiting the business prospects or future marketing activities of such Funds and non-compliance with applicable laws or regulations, and the concealing of any of the foregoing. Such activities may result in reputational damage, litigation, business disruption, and/or financial losses to such Funds. The Adviser has controls and procedures through which they seek to minimize the risk of such misconduct occurring. However, no assurances can be given that the Adviser will be able to identify or prevent such misconduct.

### **Custody and Banking Risks**

The Funds will maintain funds with one or more banks or other depository institutions ("banking institutions"), which may include US and non-US banking institutions, and may enter into credit facilities or have other financial relationships with banking institutions. The distress, impairment or failure of one or more banking institutions with whom the Funds, their portfolio companies, the General Partner and/or the Adviser transact may inhibit the ability of the Funds or their portfolio companies to access depository accounts or lines of credit at all or in a timely manner. In such cases, the Funds may be forced to delay or forgo investments or to call capital resulting in lower performance for the Funds. In the event of such a failure of a banking institution where the Fund or one or more of its portfolio companies holds depository accounts, access to such accounts could be restricted and U.S. Federal Deposit Insurance Corporation ("FDIC") protection may not be available for balances in excess of amounts insured by the FDIC (and similar considerations may apply to banking institutions in other jurisdictions not subject to FDIC protection). In such instances, the Funds and their affected portfolio companies may not recover such excess, uninsured amounts and instead, would only have an unsecured claim against the banking institution and participate pro rata with other unsecured creditors in the residual value of the banking institution's assets. The loss of amounts maintained with a banking institution or the inability to access such amounts for a period of time, even if ultimately recovered, could be materially adverse to the Funds or their portfolio companies. One or more investors or a Fund's General Partner could also be similarly affected and unable to fund capital calls, further delaying or deferring new investments. In addition, a Fund's General Partner may not be able to identify all potential solvency or stress concerns with respect to a banking institution or to transfer assets from one bank to another in a timely manner in the event a banking institution comes under stress or fails.

## **Recent Regulatory Developments for Private Funds and their Advisers**

In recent years, the SEC has proposed and adopted, and continues to adopt, various changes to the rules relating to private funds and their advisers. On August 23, 2023, the SEC adopted previously proposed new rules and amendments to existing rules (collectively, the “**Private Funds Rules**”) under the Advisers Act specifically related to advisers of private funds.

The Private Funds Rules will impose new and substantial requirements on advisers and the funds they advise, including with respect to quarterly reporting, restricted activities, preferential treatment of investors, audit requirements, adviser-led secondaries and annual compliance reviews. The Private Funds Rules, in addition to any other new rules adopted by the SEC, are expected to significantly impact the business of the Adviser and its affiliates, a Fund and/or its investments. As a result of the new rules, the Adviser will under certain circumstances be restricted or refrain from providing information regarding a Fund in response to investor requests. The Adviser will be required to circulate to all investors the material terms of any preferential treatment agreed in connection with investments in a Fund (i.e., all side letter terms), without regard to any most favored nation provision. This may ultimately impact the Adviser’s decisions with respect to agreeing to certain preferential rights. The Private Funds Rules include certain audit requirements, which may require the Adviser to select a different auditor or obtain an additional audit, even if the Adviser does not believe it is in the best interest of a Fund or its investors to do so. Further, many provisions of the Private Funds Rules require the Adviser to make a variety of subjective determinations as to whether and how such rules apply to a Fund and the Adviser’s related obligations. The Adviser will face conflicts of interest in making such determinations, including for example with respect to whether certain fees and expenses may be charged to a Fund, whether certain provisions may have a material negative impact on certain investors and whether certain allocations are fair and equitable. The Adviser’s and a Fund’s compliance burdens and associated costs including, without limitation, insurance expenses, are also expected to increase. The Adviser also will be subject to increased risk of exposure to additional regulatory scrutiny, litigation, censure and penalties for noncompliance or perceived noncompliance as a result of the Private Funds Rules, and any noncompliance or perceived noncompliance with such rules may negatively impact a Fund’s reputation as well as its investment activities, thereby materially reducing returns to investors.

Several trade groups representing private fund managers have filed a legal challenge to the Private Funds Rules and other legal challenges to the Private Funds Rules may be forthcoming. Regardless of the outcome of these lawsuits, the implementation of these new rules is expected to create additional burdens for advisers to private funds.

## **Interest Rate Fluctuation**

The prices of portfolio investments tend to be sensitive to interest rate fluctuations. Fluctuations in interest rates could cause the corresponding prices of the long and short portions of a position to move in directions which were not initially anticipated. For example, interest rate increases generally will increase the interest carrying costs to the Fund of borrowed securities and leveraged

investments. Interest rate increases may also affect the cost or access to lines of credit for the Funds and portfolio companies.

## **Inflation Risk**

In recent years, the United States has experienced substantial rates of inflation. As inflation continues to rise, the United States Federal Reserve may raise interest rates in the near term, which could have a negative impact on the cost of debt and the market value of certain securities. Further, inflation and rapid fluctuations in inflation rates have had and may continue to have very negative effects on the economies and securities markets (both public and private) in which the Fund may invest. Rising inflation would tend to reduce returns to the Limited Partners.

## **Tax Treatment**

The investors in the Funds include U.S. taxable and tax-exempt entities, and institutions from jurisdictions outside of the United States. Such investors often have conflicting investment, tax, and other interests with respect to their investments in a Fund. The conflicting interests among the investors generally relate to or arise from, among other things, the nature of investments made by a Fund, the structuring of the acquisition of investments, and the timing of the disposition of investments. As a consequence, conflicts of interest arise in connection with decisions made by the Adviser or its affiliates, including with respect to the nature or structuring of investments, that are more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for a Fund, the Adviser and its affiliates will consider the investment and tax objectives of the applicable Fund, not the investment, tax or other objectives of any investor individually.

## **Side Letters**

From time to time, the Adviser will enter into certain side letter arrangements with certain investors in a Fund, generally providing such investors with different or preferential rights or terms, which could include, but is not limited to, different fee structures and other preferential economic rights, information and reporting rights, excuse or exclusion rights, waiver of certain confidentiality obligations, co-investment rights, certain rights or terms necessary in light of particular legal, regulatory, or policy requirements of a particular investor, additional obligations and restrictions with respect to structuring particular investments in light of the legal and regulatory considerations applicable to a particular investor, veto rights, and liquidity or transfer rights. Except as otherwise agreed with an investor or as required by applicable law, the Adviser (or applicable General Partner) will not disclose the terms of side letter arrangements with other investors.

## **Risks Primarily Associated with Public Securities Investment Strategies**

The Hedge Funds primarily invest in the securities of publicly-traded companies and the Hybrid Funds invests a portion of its capital in the securities of publicly-traded companies. Investments in these securities carries some risks that are different from the risks associated with investments in early-stage private companies. An investment in the securities of publicly-traded companies involves a high degree of risk, including the risk that the entire amount invested may be lost. No guarantee or representation is made that a Fund's investment program will be successful or that a

Fund will achieve its objective. The investment in the securities of publicly-traded companies may be particularly sensitive to economic, market, industry, regulatory and other variable conditions. The markets in which a Fund expects to invest may experience significant volatility and losses. No assurance can be given as to when or whether adverse events might occur that could cause immediate and significant losses to the Fund's accounts.

### **Risks of Investing in Certain Healthcare Companies**

Certain healthcare companies are subject to intense competition and rapid technological change, and may present risks not typical of investments made in other industry sectors, including the following:

- Many healthcare companies face high research and development costs and obsolescence of their products. These factors may have a significant adverse effect on the financial condition and operating results of companies in the healthcare industries.
- Healthcare companies may also have persistent losses or erratic revenue patterns, which in turn may lead to significant volatility in their share prices, inability to obtain additional financing, or shareholder dilution.
- A healthcare company's revenue stream may be largely dependent upon such company's intellectual property patent estates. Loss of critical patents may adversely affect such company's valuation.
- Healthcare companies derive a large portion of their revenues from reimbursement by national governments. Dramatic changes in pricing and reimbursement policies may adversely affect a healthcare company's valuation.
- The viability of many healthcare companies depends largely on whether such companies can obtain FDA or other regulatory approval of their products or services. If a healthcare company fails to obtain regulatory approval for one or more of its products or services, such company may be unable to continue operations, and a Fund may lose some or all of its investment in such company.
- Many healthcare companies derive a large portion or all of their value from one product. If clinical trials are not successful, or if new scientific knowledge causes a product to be unsafe to patients or uncompetitive in the market, a company may lose most of its market value before a Fund is able to exit its investment.
- As the Adviser intends to invest certain Fund accounts primarily in securities of healthcare companies, its investment performance will be closely tied to and affected by performance in the healthcare industries generally. Companies in the healthcare industries are often faced with the same obstacles, issues or regulatory burdens, and their securities may react similarly and move in unison to these or other market conditions.
- If the government undertakes new legislative and regulatory initiatives that impede, rather than promote, the growth of the healthcare industries in the future, a Fund may have difficulty identifying attractive healthcare investment opportunities, and otherwise profitable investments could become unprofitable.

### **Use of Leverage**

The Adviser may use varying degrees of leverage through margin and other debt when trading public securities in order to increase the amount of capital available for investment. The amount

of leverage will be determined from time to time by the Adviser taking into consideration certain factors, which may include the Adviser's risk analysis, the terms of leverage that may be available and other factors deemed relevant by the Adviser. The Adviser may determine not to use any leverage. Although leverage increases returns to investors if the Fund's accounts earns a greater return on the incremental investments purchased with borrowed funds than it pays for such funds, the use of leverage decreases returns to investors if the Fund fails to earn as much on such incremental investments as it pays for such funds. In the event that the Fund leverages its portfolio, fluctuations in the market value of the Fund's portfolio will have a significant effect in relation to the Fund's capital and the risk of loss and the possibility of gain will be increased. In addition, when Funds utilize leverage, the level of interest rates generally, and the rates at which Funds can borrow in particular, will be an expense of the Fund and therefore affect the operating results of the Fund's accounts. Leverage increases the risk of substantial losses (including the risk of a total loss of capital) and leverage can significantly magnify the volatility of the Fund's portfolio.

The Adviser may use short-term margin borrowing in purchasing securities positions in Fund accounts. Such borrowing, if made, may result in certain additional risks. For example, should the securities pledged to brokers to secure the Fund's margin accounts decline in value, the Fund's account could be subject to a "margin call," pursuant to which the Fund would be required to either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden, precipitous drop in value of the Fund's assets, the Fund might not be able to liquidate assets quickly enough to pay off its margin debt.

## **Short Sales**

Hedge Funds may engage in short selling. Short sales are sales of securities that a Fund borrows but does not actually own. Short sales usually are made with the anticipation that the prices of the securities will decrease and the Fund will be able to make a profit by replacing the borrowed securities with securities purchased at a later date and a lower price. The Fund's account will incur a potentially unlimited loss on a short sale if the price of the security increases prior to the time it purchases the security to replace the borrowed security. A short sale presents greater risk than purchasing a security outright since there is no ceiling on the possible cost of replacing the borrowed security, whereas the risk of loss on a "long" position is limited to the purchase price of the security. Closing out a short position may cause the security to rise further in value creating a greater loss.

Short sale transactions have been subject to increased regulatory scrutiny in response to market events in recent years, including the imposition of restrictions on short sales of certain securities and reporting requirements. A Fund's ability to execute a short selling strategy may be materially adversely impacted by temporary and/or new permanent rules, interpretations, prohibitions, and restrictions adopted in response to these adverse market events. Temporary restrictions and/or prohibitions on short selling activity may be imposed by regulatory authorities with little or no advance notice and may impact prior Fund trading activities. Additionally, the SEC, its foreign counterparts, other governmental authorities and/or self-regulatory organizations may at any time promulgate permanent rules or interpretations consistent with such temporary restrictions or that impose additional or different permanent or temporary limitations or prohibitions. The SEC might

impose different limitations and/or prohibitions on short selling from those imposed by various non-U.S. regulatory authorities. These different regulations, rules or interpretations might have different effective periods.

Regulatory authorities may from time to time impose restrictions that adversely affect a Fund's ability to borrow certain securities in connection with short sale transactions. In addition, traditional lenders of securities might be less likely to lend securities under certain market conditions. As a result, the Fund may not be able to effectively pursue a short selling strategy due to a limited supply of securities available for borrowing. A Fund may also incur additional costs in connection with short sale transactions, including in the event that it is required to enter into a borrowing arrangement in advance of any short sales. Moreover, the ability to continue to borrow a security is not guaranteed and short sellers are subject to strict delivery requirements. The inability of a Fund to deliver securities within the required time frame may subject the Fund to mandatory close out by the executing broker-dealer. A mandatory close out may subject the Fund to unintended material costs and losses. For example, certain action or inaction by third parties, such as executing broker-dealers or clearing broker-dealers, or by other unrelated short sellers, may materially impact the Fund's ability to effect short sale transactions.

### **Small-Cap and Mid-Cap Risks**

A portion of the assets in Hybrid Funds, and most of the assets of the Hedge Funds, will be invested in securities of small- and mid-capitalization companies. While, in the Adviser's opinion, the securities of small- and mid-capitalization companies may offer the potential for greater capital appreciation than investment in securities of larger-capitalization companies, securities of small- and mid-capitalization companies may also present greater risks. For example, some small- and mid-capitalization companies have limited product lines, markets, or financial resources and may be dependent for management on one or a few key persons. In addition, such issuers may be subject to high volatility in revenues, expenses and earnings. Their securities may be thinly traded, may be followed by fewer investment analysts and may be subject to wider price swings and thus may create a greater chance of loss than when investing in securities of larger-capitalization companies. In addition, due to thin trading in many smaller capitalization stocks, an investment in such stocks may be characterized by reduced liquidity. Further, the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is potentially higher than for larger, "blue-chip" companies. The market prices of securities of small- and mid-capitalization companies generally are more sensitive to changes in earnings expectations, corporate developments, and market rumors than are the market prices of larger-capitalization companies. Transaction costs in securities of small- and mid-capitalization companies may be higher than in those of large-capitalization companies. There may be less information about small and mid-capitalization companies than larger capitalization companies.

### **Equity Securities of Growth Companies (including Small- and Mid-Cap Companies)**

It is anticipated that the assets in certain Fund generally will be invested in equity securities of companies that the Adviser believes have potential for capital appreciation significantly greater than that of the market averages, so-called "growth" companies. The market capitalization of the growth companies in which a Fund may invest may range from small to large capitalizations.



Growth stocks are generally more sensitive to market movements than other types of stocks, primarily because their stock prices are based heavily on future expectations.

### **Undervalued Equity Securities**

The Adviser's investment strategies focus on investing in companies that the Adviser believes are undervalued. Opportunities in undervalued equity securities arise from market inefficiencies or due to a lack of wide recognition of the potential impact (positive or negative) that specific events or trends may have on the value of a security. The identification of investment opportunities in undervalued securities is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses.

### **Portfolio Liquidity and Transfer Restrictions**

As a result of the Adviser's investment strategies, certain investments may have to be held for a substantial period of time before they can be liquidated at reasonable values or, in some cases, at all.

### **Special Situations**

The Adviser may invest in companies involved in (or that are the target of) acquisition attempts or tender offers or in companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar circumstances. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction will be unsuccessful, take considerable time or result in a distribution of cash or a new security the value of which is less than the purchase price of the original security or other financial instrument. Similarly, if an anticipated transaction or reorganization does not in fact occur, a Fund may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which a Fund may invest, there is a potential risk of loss by Funds of its entire investment in such companies.

### **Investments in PIPEs**

The Adviser may make private investments in public equity ("PIPEs") of certain companies. PIPE transactions may involve the sale of equity-like securities of an already public company. In a PIPE transaction, the Fund will bear the price risk from the time of pricing until the time of closing. The Fund may have to commit to purchase a specified number of shares at a fixed price, with the closing conditioned upon, among other things, the applicable regulatory agency's preparedness to declare effective a resale registration statement covering the resale, from time to time, of the shares sold in the private financing. The issuer may be unable to register for public resale the shares held by the Fund in a timely manner or at all, in which case the shares may be saleable only in a privately negotiated transaction at a price less than that paid by the Fund, assuming a suitable buyer can be found. Disposing of the securities may involve time-consuming negotiation and legal expenses, and selling them promptly at an acceptable price may be difficult or impossible. In addition, since

the Fund may take large ownership positions as part of PIPE transactions, even after the securities are saleable, it may take a significant period of time for them to be sold or distributed in an orderly manner during which time profit could have otherwise been realized or loss avoided, and in some cases the Fund may be prohibited by securities laws or by contract from selling such public company securities for a period of time. In addition, the Fund's sales of thinly traded securities could depress the market value of such securities. These circumstances or events could reduce the Fund's returns. Disposition of the Fund's public company investments may result in distributions in kind. If the market price of the distributed securities decline rapidly after such distribution, investors may not be able to realize the full value of the securities at the time of distribution. General fluctuations in the market prices of securities may affect the value of the investments held by the Fund. Instability in the securities markets may also increase the risks inherent in the Fund's investments.

### **Arbitrage**

The Adviser may engage in various types of arbitrage trading strategies. These strategies are based on the apparent presence of pricing inefficiencies and the expectation that these anomalies will revert to historical averages over time. Certain types of arbitrage involve the purchase of an asset and the concurrent sale of that asset in a different market, the purchase of an asset and concurrent sale of a related asset, and yield curve arbitrage. Such strategies frequently require the use of leverage in order to profit from small pricing discrepancies between markets or related assets. A variety of factors may cause prices to diverge further, rather than converge, which may cause a Fund to sustain losses.

### **Hedging Transactions**

Hedge Funds may utilize various financial instruments both for investment purposes and for risk management purposes in order to: (1) protect against possible changes in the market value of a Fund's investment portfolio resulting from fluctuations in the securities markets and/or changes in interest rates; (2) protect the unrealized gains in the value of the investment portfolios; (3) facilitate the sale of any such investments; (4) enhance or preserve returns, spreads or gains on any investment in a Fund's portfolio; (5) hedge the interest rate or currency exchange rate on any of a Fund's liabilities or assets; (6) protect against any increase in the price of any securities the Adviser anticipates purchasing at a later date for a Fund; or (7) for any other reason that the Adviser deems appropriate. The Adviser has no obligation to hedge all or any portion of a Fund's portfolio and may engage (or not engage) in hedging transactions in its sole discretion.

The success of the hedging strategies utilized for a Fund will be subject to the Adviser's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the hedging strategy will also be subject to the Adviser's ability to continually recalculate, readjust, and execute hedges in an efficient and timely manner. While the Adviser may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for a Fund than if it had not engaged in any such hedging transactions. For a variety of reasons, the Adviser may not seek to establish a perfect correlation between such hedging instruments and

the portfolio holdings being hedged. Such imperfect correlation may prevent a Fund from achieving the intended hedge or expose the Fund to risk of loss. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of a Fund's portfolio holdings.

In certain transactions, a Fund may not be "hedged" against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated. The Adviser may not hedge a position in a Fund's portfolio because a hedge may not be available; it may be too costly in light of the likelihood of the possible risk actually occurring or the risk simply could not be reasonably anticipated.

### **Risks of Investments in Options**

Hedge Funds may invest, from time to time, in options. In addition, the Adviser may write and sell covered and uncovered call and put option contracts. A call option gives the purchaser of the option the right to buy, and obligates the writer to sell, the underlying investments at a stated exercise price at any time prior to the expiration of the option. Similarly, a put option gives the purchaser of the option the right to sell, and obligates the writer to buy, the underlying investments at a stated exercise price at any time prior to the expiration of the option. Options written by the Adviser may be wholly or partially covered (meaning that a Fund holds an offsetting position) or uncovered. Options on specific investments may be used by the Adviser to seek enhanced profits with respect to a particular investment. Alternatively, they may be used for various defensive or hedging purposes. For example, they may be used to protect against a future adverse change in the market price of particular portfolio investments held by a Fund without requiring a sale of the investments. Investing in options can provide greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (i.e., the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (i.e., sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the market value. Over-the-Counter ("OTC") options that the Adviser may use in its investment strategies generally are not assignable except by agreement between the parties concerned, and no party or purchaser has any obligation to permit such assignments. The OTC market for options is relatively illiquid, particularly for relatively small transactions.

Use of put and call options may result in losses to a Fund, force the sale or purchase of portfolio investments at inopportune times or for prices higher than (in the case of put options) or lower than (in the case of call options) current market values, limit the amount of appreciation a Fund can realize on their investments or cause a Fund to hold an investment it might otherwise sell. For example, a decline in the market price of a particular investment could result in a complete loss of the amount expended by a Fund to purchase a call option (equal to the premium paid for the option

and any associated transaction charges). An adverse price movement may result in unanticipated losses with respect to covered options sold by a Fund. The use of uncovered option writing techniques may entail greater risks of potential loss to a Fund than other forms of options transactions. For example, a rise in the market price of the underlying investment will result in a Fund realizing a loss on the calls written, which would not be offset by the increase in the value of the underlying investments to the extent the call option position was uncovered.

Put options and call options are types of derivative instruments or “derivatives” include future contracts, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Like options, generally, derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are leveraged, and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement may expose a Fund to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts. Swaps and certain options and other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty.

Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Adviser from promptly liquidating unfavorable positions and subject a Fund to substantial losses.

## **Forward Trading**

Hedge Funds may enter into forward contracts and options. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. For example, there are no requirements with respect to record keeping, financial responsibility or segregation of customer funds or positions. In contrast to exchange-traded futures contracts, interbank traded instruments rely on the dealer or contracting counterparty to fulfill its contract. As a result, trading in interbank foreign exchange contracts may be subject to more risks than futures or options trading on regulated exchanges, including, but not limited to, the risk of default due to the failure of a counterparty with which the Hedge Fund has forward contracts. Although the Adviser seeks to

trade with responsible counterparties, failure by a counterparty to fulfill its contractual obligation could expose the Fund to unanticipated losses. The principals who deal in the forward markets are not required to continue to make markets in the currencies and commodities they trade, and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually widespread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by the Adviser due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to less than that which the Adviser would otherwise recommend, to the possible detriment of a Hedge Fund. Market illiquidity or disruption could result in major losses to a Hedge Fund.

### **Repurchase Agreements**

The Adviser on behalf of a Hedge Fund may enter into repurchase agreements with counterparties. In the event of a bankruptcy or other default of a transferor of securities in a repurchase agreement, the Fund as transferee could experience both delays in liquidating the underlying securities and losses, including: (a) a possible decline in the value of the collateral during the period in which the Hedge Fund seeks to enforce its rights thereto; (b) possible subnormal levels of income and lack of access to income during this period; and (c) expenses of enforcing its rights. In the case of default by the transferee of securities in a repurchase agreement, the Fund as transferor runs the risk that the transferee may not deliver the securities when required.

### **Non-U.S. Securities**

From time to time, the Adviser invests in securities of non-U.S. issuers. The Adviser's investments in securities and instruments in foreign markets would involve substantial risks often not typically associated with investing in U.S. securities. Investments in foreign securities may be adversely affected by changes in currency rates or exchange control regulations, changes in governmental administration or economic or monetary policy (in the United States and abroad) or changed circumstances in dealings between nations. Changes in foreign currency exchange rates relative to the U.S. dollar will affect the U.S. dollar value of the assets denominated in that currency by the Fund and thereby will have an impact upon the total return on such assets in the Fund. The Adviser may utilize options and forward contracts to hedge against currency fluctuations but there can be no assurance that such hedging transactions will be effective.

Investments in foreign securities will also be subject to risks relating to political and economic developments abroad, including the possibility of expropriations or confiscatory taxation, limitations on the use or transfer of a Fund's assets and the effects of foreign social, economic or political instability. Foreign companies are not subject to many of the regulatory requirements of U.S. companies and, as such, there may be less publicly available information about such companies. Moreover, foreign companies may not be subject to uniform accounting, auditing and financial reporting standards and requirements comparable to those applicable to U.S. companies. Finally, in the event of a default of any foreign debt obligations, it may be more difficult for a Fund to obtain or enforce a judgment against the issuers of such securities.

Securities of foreign issuers may be less liquid than comparable securities of U.S. issuers and, as such, their price changes may be more volatile. Furthermore, foreign exchanges and broker-dealers are generally subject to less government and exchange scrutiny and regulation than their counterparts in the United States. Brokerage commissions, dealer concessions and other transaction costs may be higher on foreign markets than in the U.S. In addition, differences in clearance and settlement procedures on foreign markets may occasion delays in settlements of trades for a Fund effected in such markets.

Repatriation of investment income, capital and the proceeds of sales by foreign investors may require governmental registration and/or approval. A Fund could be adversely affected by delays in or a refusal to grant any required governmental registration or approval for such repatriation or by withholding taxes imposed by the government of an emerging country.

Taxation of dividends, interest and capital gains received by non-residents varies among countries and, in some cases, is comparatively high. In addition, some countries have tax laws and procedures that may permit retroactive taxation so that a Fund could in the future become subject to local tax liability that it had not reasonably anticipated in conducting its investment activities or valuing its assets.

In addition, changes or modifications in existing judicial decisions or in the current positions of the Internal Revenue Service or the passage of new legislation, could lead to unfavorable treatment of certain non-U.S. investments which could adversely impact a Fund's portfolio.

## **Foreign Exchange**

Spot and forward prices for foreign currencies are highly volatile. Price movements for spot and forward contracts may be influenced by, among other things, changing supply and demand relationships, trade, fiscal, monetary, and exchange control programs and policies of governments, domestic and foreign political and economic events, changes in domestic and foreign interest rates and rates of inflation, currency devaluations and revaluations and emotions of the marketplace. In addition, governments from time to time intervene directly and by regulation in certain markets, particularly those currencies in gold. Such intervention is often intended to influence prices directly. None of these factors can be controlled by the Adviser, and no assurance can be given that the Adviser's advice will result in profitable trades for a Fund or that a Fund will not incur substantial losses. Spot and forward contracts are not traded on exchanges. Rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Neither the CFTC nor banking authorities currently regulate trading in forward contracts on currencies, nor is there a limitation on the daily price movements of forward contracts. Speculative position limits are not applicable to forward trading. Funds are subject to the risk of the inability or refusal to perform on the part of the principals or agents or through whom such forward contracts are traded.

## **Broker Risk**

A Fund's assets may be held in one or more accounts maintained for the Fund by its prime brokers or at other brokers or custodian banks, which may be located in various jurisdictions, including emerging market jurisdictions. The prime brokers, other brokers (including those acting as sub-custodians) and custodian banks are subject to various laws and regulations in the relevant jurisdictions that are designed to protect their customers in the event of their insolvency. Accordingly, the practical effect of the laws protecting customers in the event of insolvency and their application to a Fund's assets may be subject to substantial variations, limitations and uncertainties. For instance, in certain jurisdictions brokers could have title to the clients' assets or not segregate customer assets. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a prime broker, another broker or a clearing corporation, it is impossible further to generalize about the effect of the insolvency of any of them on a Fund and its assets. Investors should assume that the insolvency of any of the prime brokers, local brokers, custodian banks or clearing corporations may result in the loss of all or a substantial portion of a Fund's assets or in a significant delay in the Fund having access to those assets.

## **Counterparty Risk**

Some of the markets in which the Adviser may effect transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of "exchange-based" markets are subject. This exposes a Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Fund to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a Fund has concentrated its transactions with a single or small group of counterparties. Counterparties in foreign markets face increased risks, including the risk of being taken over by the government or becoming bankrupt in countries with limited if any rights for creditors. The Adviser is not restricted from concentrating any or all of its transactions with one counterparty. The ability of the Adviser to transact business with any one or number of counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by a Fund. Counterparty risks also include the failure of executing brokers to honor, execute, or settle trades.

Pursuant to the Dodd-Frank Act, some derivatives transactions will be subject to mandatory clearing and will also be subject to the margin requirements set forth by the clearinghouse. The additional margin, capital and collateral obligations may increase the cost of derivatives transactions and thereby potentially decrease the profitability of certain positions.

## **Purchasing Securities of Initial Public Offerings**

From time to time, the Adviser may purchase securities that are part of initial public offerings for a Fund. The prices of these securities may be very volatile. The issuers of these securities may be undercapitalized, have a limited operating history, and lack revenues or operating income without

any prospects of achieving them in the near future. Some of these issuers may only make available a limited number of shares for trading and therefore it may be difficult for the Adviser to trade these securities without unfavorably impacting their prices. In addition, investors may lack extensive knowledge of the issuers of these securities. The Adviser may cause a Fund to invest in securities that are “new issues,” as defined by Rule 5130. Rule 5130 and Rule 5131 of the Financial Industry Regulatory Authority restrict certain persons from participating in “new issues.” The Organizational Documents provide a mechanism for the purchase of new issues that excludes participation in such investment by any investor that is deemed restricted. Refer to the Organizational Documents for more information.

### **Loans of Portfolio Securities**

The Adviser may lend the portfolio securities of the Hedge Funds on terms customary in the securities industry, enter into reverse repurchase agreements or enter into other transactions constituting a loan of Hedge Fund assets. By doing so, the Adviser attempts to increase the income to the Hedge Fund through the receipt of interest on the loan. In the event of a default or the bankruptcy of the other party to a securities loan, the Hedge Fund could experience delays in recovering the securities it lent and there is no assurance that the securities will be recovered. To the extent that the value of the securities lent from a Hedge Fund has increased, the Hedge Fund could experience a loss if such securities are not recovered.

### **Money Market Instruments**

The Adviser may invest a Fund’s assets in money-market instruments, and non-U.S. money-market mutual funds, or hold cash or cash equivalents in such amounts as the Adviser deems appropriate under the circumstances. Money market instruments are high quality, short term fixed-income obligations, which generally have remaining maturities of one year or less, and may include U.S. government securities, commercial paper, certificates of deposit and bankers’ acceptances issued by domestic branches of United States banks that are members of the Federal Deposit Insurance Corporation and repurchase agreements. However, there can be no assurances that such investments will not be subject to significant risks.

### **Competition**

The Adviser’s ability to implement its strategy and achieve its desired returns will depend largely on its ability to identify and invest in suitable assets at satisfactory prices and on satisfactory terms. A growing number of funds of all descriptions have become active in seeking investment opportunities in the healthcare industry. The Adviser may face significant competition from domestic investors, other foreign investment funds and strategic investors. Many competitors have greater financial resources than the Funds and a greater ability to borrow funds to acquire assets. Competition for attractive investment opportunities may lead to higher asset prices which may affect a Fund’s ability to invest on terms which the Adviser considers attractive. Such conditions may have a material adverse impact on a Funds ability to secure attractive investment opportunities and consequently may have an adverse effect on the net asset value and the market price of the interests.



**Item 9. Disciplinary Information**

The Adviser does not have any legal, financial, or other “disciplinary” event to report. As a registered investment adviser, the Adviser is obligated to disclose any legal disciplinary event that would be material to a client when evaluating the Adviser’s advisory business or integrity of its management.

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

### **Related General Partners**

Various entities serve as General Partners of the Funds and are related persons of the Adviser. For a description of material conflicts of interest created by the relationship among the Adviser and the General Partners, as well as a description of how such conflicts are addressed, please see Item 11 below.

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

### **Code of Ethics**

The Adviser has adopted a written Code of Ethics that is applicable to directors, officers, partners, executive partners, and employees who (a) have access to nonpublic information regarding any clients' purchase or sale of securities, or nonpublic information regarding the portfolio holdings of any reportable fund, or (b) is involved in making securities recommendations to clients, or who has access to such recommendations that are nonpublic (collectively, “**Access Persons**”). The Code of Ethics, which is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 (as amended, the “**Advisers Act**”), establishes guidelines for professional conduct and personal trading procedures, including certain pre-clearance and reporting obligations. Access Persons and their families and households may purchase investments for their own accounts, including the same investments as may be purchased or sold for a Fund, subject to the terms of the Code of Ethics. Under the Code of Ethics, Access Persons are also required to file certain periodic reports with the Adviser’s Chief Compliance Officer as required by Rule 204A-1 under the Advisers Act. The Code of Ethics helps the Adviser detect and prevent potential conflicts of interest.

Access Persons who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, demotion, suspension, or dismissal. Access Persons are also required to promptly report any violation of the Code of Ethics of which they become aware. Access Persons are required to annually certify compliance with the Code of Ethics.

A copy of the Code of Ethics is available to any client or prospective client upon written request to: **Brendan Furey, Chief Compliance Officer at (617) 425-9200.**

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

The Adviser and certain employees and affiliates of the Adviser may invest in and alongside the Funds, either through the General Partners, as direct investors in the Funds, or otherwise. A Fund or its General Partner, as applicable, may reduce all or a portion of the Advisory Fee and Carried Interest related to investments held by such persons.

Due in part to the fact that potential investors in a Fund (including purchasers of a limited partner’s interests in a secondary transaction) or a co-investment opportunity (see below) may ask different questions and request different information, the Adviser may provide certain information to one or more prospective investors that it does not provide to all of the prospective investors or limited partners.

### **Conflicts of Interest**

The Adviser and its related entities engage in a broad range of activities, including investment activities for their own account and for the account of other investment funds, and providing transaction-related, investment advisory, management, and other services to funds and operating companies. In the ordinary course of conducting its activities, the interests of a Fund will, from time-to-time conflict with the interests of the Adviser, other Funds, or their respective affiliates.

Certain of these conflicts of interest, as well a description of how the Adviser addresses such conflicts of interest, can be found below.

The material conflicts of interest encountered by a Fund include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by a Fund. Other conflicts may be disclosed throughout this brochure and the brochure should be read in its entirety for other conflicts.

### Resolution of Conflicts

In the case of all conflicts of interest, the Adviser's determination as to which factors are relevant, and the resolution of such conflicts, will be made using the Adviser's best judgment, but in its sole discretion. In resolving conflicts, the Adviser considers various factors, including the interests of the applicable Funds with respect to the immediate issue and/or with respect to their longer-term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors generally mitigate, but will not eliminate, conflicts of interest:

- (1) The Adviser will consider the appropriateness of an investment from the viewpoint of a Fund;
- (2) Many important conflicts of interest will generally be resolved by set procedures, restrictions, or other provisions contained in the Organizational Documents for the Funds;
- (3) Some Funds establish advisory committees, consisting of representatives of investors not affiliated with the Adviser. In such event, the advisory committees meet to consult with the Adviser as to certain potential conflicts of interest. On any issue involving actual conflicts of interest, the Adviser will be guided by its good faith discretion;
- (4) Where the Adviser deems appropriate, unaffiliated third parties may be used to help resolve conflicts, such as the use of an investment banker to opine as to the fairness of a purchase or sale price;
- (5) The Adviser has adopted and implemented certain policies and procedures designed to reduce certain conflicts of interest; and
- (6) Prior to subscribing for interests in a Fund, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the Fund.

While the Adviser endeavors to resolve all conflicts in a fair and impartial manner, there can be no assurance that its own interests will not influence its conduct and decisions. There can be no assurance that the Adviser will identify or resolve all conflicts in a manner that is favorable to the Fund. Investors in the Funds are generally not entitled to receive notice or disclosure of the actual occurrence of conflicts or have any right to consent to them as they arise.

### Allocation of Investment Opportunities Among Clients

In connection with its investment activities, the Adviser may encounter situations in which it must determine how to allocate investment opportunities (including follow-on investments) among various clients and other persons, which may include, but are not limited to, the following:

- The Funds (including those established for the purpose of participating in a “continuation transaction”, in which a Fund purchases assets of another Fund that is liquidating);
- Any co-investors or co-investment vehicles that have been formed to invest side-by-side with one or more Funds in all or particular transactions entered into by such Fund(s) (the co-investors or investors in such co-investment vehicles which may include Adviser Investors and/or individuals and entities that are not investors in any Funds (“**Third Parties**”));
- Adviser Investors and/or Third Parties that wish to make direct investments (i.e., not through an investment vehicle) side-by-side with one or more Funds in particular transactions entered into by such Fund(s); and
- Adviser Investors and/or Third Parties acting as “co-sponsors” with the Adviser with respect to a particular transaction.

The Adviser makes allocation determinations consistent with the Funds’ Organizational Documents and in accordance with its written policies and procedures.

The Funds are generally subject to investment allocation requirements (collectively, “**Investment Allocation Requirements**”). To the extent the Investment Allocation Requirements of a Fund do not include specific allocation procedures and/or allow the Adviser discretion in making allocation decisions among the Funds, the Adviser will follow the process set forth below.

The Adviser must first determine which Funds and/or other parties are eligible to participate in an investment opportunity. The Adviser assesses whether an investment opportunity is appropriate for a particular Fund(s), based on the Fund’s investment objectives, strategies, and structure, which are typically reflected in such Fund’s Organizational Documents. Prior to making any allocation to a Fund of an investment opportunity, the Adviser determines what additional factors may restrict or limit the offering of an investment opportunity to the Fund. Possible restrictions include, but are not limited to:

- Obligation to Offer: The Adviser may be required to offer an investment opportunity to one or more Funds.
- Related Investments: The Adviser may offer an investment opportunity related to an investment previously made by a Fund(s) to such Fund(s) to the exclusion of, or resulting in a limited offering to, other Funds.
- Legal and Regulatory Exclusions: The Adviser may determine that certain Funds, or certain investors in the Funds, should be excluded from an allocation due to specific legal,

regulatory, and contractual restrictions placed on the participation of such persons in certain types of investment opportunities.

Once the Adviser identifies the Funds and other parties that are eligible to participate in a particular investment, the Adviser, in its discretion, decides how to allocate such investment opportunity among the identified Funds. In allocating such investment opportunity, the Adviser may consider some or all of a wide range of factors, which include, but are not necessarily limited to, one or more of the following:

- Each Fund’s investment objectives and investment focus;
- Transaction sourcing (and with respect to an investment opportunity originated by a third-party, the relationship of a particular Fund to or with such third-party);
- Each Fund’s liquidity and reserves (including whether a Fund is able to commit to invest all capital required to consummate a particular investment opportunity);
- Structural and operational differences between the Funds;
- Each Fund’s diversification (including the actual, relative, or potential exposure of a Fund to the type of investment opportunity in terms of its existing portfolio);
- Any “ramp-up” period of a newly established Fund;
- Amount of capital available for investment by each Fund as well as each Fund’s projected future capacity for investment (including whether a Fund is able to invest all capital required to consummate a particular investment opportunity) and any anticipated co-investment;
- The size, liquidity and duration of the investment;
- Each Fund’s targeted rate of return;
- Stage of development of the prospective portfolio company or other investment and anticipated holding period of the portfolio company;
- Composition of each Fund’s portfolio and each Fund’s investment concentration parameters (including, without limitation, parameters such as geography, industry, issuer, volatility, leverage, or other similar risk metrics);
- The suitability of the opportunity as a follow-on investment in a current portfolio company of a Fund or as an upside of an existing investment;
- The expected timing of an investment;
- The availability of other suitable investments for each Fund;
- Supply or demand of an investment opportunity at a given price level;

- Risk considerations;
- Cash flow considerations;
- The centrality of an investment to a Fund's strategy;
- Asset class restrictions;
- The seniority of an investment and other capital structuring criteria;
- Industry and other allocation targets;
- Minimum and maximum investment size requirements;
- Tax and accounting implications;
- Whether an investment opportunity requires additional consents or authorizations from the Fund, investors or Third Parties;
- Legal, contractual, or regulatory constraints; and
- Any other relevant limitations imposed by or conditions set forth in the Organizational Documents of each Fund.

The application of the Investment Allocation Requirements and factors set forth above will often result in allocation on a non-pro rata basis and there can be no assurance that a Fund will participate in all investment opportunities that fall within its investment objectives. The Adviser makes allocation determinations based solely on the Adviser's expectations at the time such investments are made. However, investments and their characteristics may change and there can be no assurance that an investment may prove to have been more suitable for another Fund in hindsight.

Allocation determinations are inherently subjective and give rise to conflicts of interest due to the inherent biases in the process. For example, the Adviser and Operation Support Providers may have differing economic interests with respect to different Funds. In allocating an investment opportunity among Funds with differing fee, expense, and compensation structures, the Adviser has an incentive to allocate investment opportunities to the Funds from which the Adviser or its related persons derive, directly or indirectly, higher fees, compensation or other benefits. This conflict, as well as similar conflicts described here pertaining to Operation Support Providers, exists when, in addition to the Operation Support Providers, the family of Operation Support Providers and/or trust and estate vehicles for the benefit of such Operation Support Providers or the family of such Operation Support Providers also have differing economic interests with respect to different Funds or portfolio companies of such Funds. Notwithstanding the foregoing, the Adviser will not allocate investment opportunities among the Funds based, in whole or in part, on (1) the relative fee structure or amount of fees paid by any Fund, or (2) the profitability of any Fund.

In addition, Operations Support Providers may be permitted to invest directly in, Funds and, therefore, participate indirectly in investments made by the Funds in which they invest. While investments by the Adviser's related persons are intended to align interests of the related persons with those of the Funds, such investments may create conflicts. For instance, such interests will vary Fund by Fund and may create an incentive to allocate particularly attractive investment opportunities to the Fund in which such personnel hold a greater interest. The existence of these varying circumstances presents conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a Fund.

The Adviser and/or a Fund may, from time to time, invest in the securities offerings of a portfolio held by another Fund (including through initial public offerings), which would result in the Adviser and/or a Fund receiving an allocation of portfolio company securities. In addition to conflicts of interest arising from the allocation of such securities, this arrangement also leads to similar conflicts described below under “*Conflicts Related to Purchases and Sales.*”

#### *Allocation of Co-Investment Opportunities and Secondary Transactions*

The Adviser will determine if the amount of an investment opportunity exceeds the amount the Adviser determines would be appropriate for the Funds (after taking into account any portion of the opportunity allocated by contract to certain participants in the applicable deal, such as co-sponsors, consultants, and advisers to the Adviser and/or the Funds or management teams of the applicable portfolio company, certain strategic investors who can add important business development relationships or other value to portfolio companies, venture capital and other investment firms, and individuals from the Adviser's ecosystem, including (without limitation), domain experts, founders, entrepreneurs, strategic advisors, and other investors whose allocation is determined by the Adviser to be in the best interest of the applicable Fund), and any such excess may be offered to one or more co-investors pursuant to the procedures included in such Funds' Organizational Documents or, to the extent not addressed in such Funds' Organizational Documents, in accordance with the following paragraphs. There may be circumstances where the Adviser determines, for strategic or other reasons an amount that could have otherwise been invested by a particular Fund is instead allocated to one or more co-investors.

In addition, Strategic Funds may make investments alongside a Fund. In such cases, the Strategic Fund and/or co-investment vehicle, as applicable, will have a priority right to make co-investments in some of all of the investments made by such Fund. The existence of such a priority right will significantly reduce or eliminate co-investment opportunities available to the investors.

Non-binding acknowledgements of interest in co-investment opportunities are not Investment Allocation Requirements and do not require the Adviser to notify the recipients of such acknowledgements if there is a co-investment opportunity. Subject to any Investment Allocation Requirements or other specific agreements with an investor, in general, (1) no investor in a Fund has a right to participate in any co-investment opportunity and investing in a Fund does not give an investor any contractual rights, entitlements, or priority to co-investment opportunities, (2) decisions regarding whether and to whom to offer co-investment opportunities, as well as the applicable terms on which a co-investment is made, are made in the sole discretion of the Adviser or its related persons or other participants in the applicable transactions, such as co-sponsors, (3) co-investment opportunities typically will be offered to some and not other investors in the Funds,



in the sole discretion of the Adviser or its related persons, and investors may be offered a smaller amount of co-investment opportunities than originally requested, and an investor may be offered fewer co-investment opportunities than other investors in the same Fund, with the same, larger, or smaller capital commitments to such Fund, (4) certain persons other than investors in the Funds (e.g., other Funds, Adviser Investors, consultants, joint venture partners, persons associated with a portfolio company and other Third Parties, including persons who the Adviser believes will provide a benefit to a Fund and/or one or more portfolio companies or who provide a strategic sourcing or similar benefit to the Adviser, a Fund and/or a portfolio company), rather than one or more investors in a Fund, will, from time to time be offered co-investment opportunities, in the sole discretion of the Adviser or its related persons, and (5) co-investors may purchase their interests in a portfolio company at the same time as the Funds or may purchase their interests from the applicable Funds after such Funds have consummated their investment in the portfolio company (also known as a post-closing sell down or transfer). Each co-investment opportunity (should any exist) is likely to be different and allocation of each such opportunity will be dependent upon the facts and circumstances specific to that unique situation (e.g., timing, industry, size, geography, asset class, projected holding period, exit strategy, and counterparty). The Adviser from time to time agrees to give particular investors, Funds, or other third parties priority access to co-investment opportunities. The existence of such priority co-investment access rights could affect the Adviser's decision to offer certain opportunities for co-investment and could limit the ability of Funds or their investors to be offered certain co-investment opportunities.

In exercising its discretion to allocate co-investment opportunities with respect to a particular investment among the Funds (including Strategic Funds) and other potential co-investors, the Adviser may consider some or all of a wide range of factors, which include, but are not limited to, its own interests and/or one or more of the following:

- The Adviser's evaluation of the size and financial resources of the potential co-investment party and the Adviser's perception of the ability of that potential co-investment party (in terms of, for example, staffing, expertise, and other resources or similar synergies) to efficiently and expeditiously participate in the investment opportunity with the relevant Fund(s) without harming or otherwise prejudicing such Fund(s), in particular when the investment opportunity is time-sensitive in nature, as is typically the case (including whether the potential co-investment party has a complicated tax structure that would require particular structuring implementation or covenants that would not otherwise be required);
- Any confidentiality concerns the Adviser has that may arise in connection with providing the other account or person with specific information relating to the investment opportunity in order to permit such potential co-investment party to evaluate the investment opportunity;
- Whether a potential co-investment party has a history of participating in opportunities and the Adviser's perception of its past experiences and relationships with that potential co-investment party, such as the willingness or ability of the potential co-investment party to respond promptly and/or affirmatively to potential investment opportunities previously offered by the Adviser and the expected amount of negotiations required in connection with a potential co-investment party's commitment;

- The character and nature of the co-investment opportunity (including the potential co-investment amount, structure, geographic location, tax characteristics, and relevant industry);
- Whether the potential co-investment party would require any governance rights that would complicate the transactions (or, alternatively, whether the potential co-investment party would be willing to defer to the Adviser and assume a passive role in governing a portfolio company);
- Level of demand for participation in such co-investment opportunity;
- The ability of a potential co-investment party to aid in operating or monitoring a portfolio company or the possession of certain expertise by a potential co-investment party and the potential co-investment party's relationship with the management team of the potential portfolio company and whether the potential co-investment party has any existing positions in the portfolio company;
- Any interests a potential co-investment party has in any competitors of the portfolio company;
- The ability of a potential co-investment party to hold investments for longer periods of time (or indefinitely);
- The Adviser's perception of whether the investment opportunity may subject the potential co-investment party to legal, regulatory, competitive, confidentiality, reporting, public relations, media, or other burdens that make it less likely that the other account or person would act upon the investment opportunity if offered;
- The Adviser's evaluation of whether the profile or characteristics of the potential co-investment party may have an impact on the viability or terms of the proposed investment opportunity and the ability of the Funds to take advantage of such opportunity (for example, if the potential co-investment party is involved in the same industry as a target company in which a Fund wishes to invest, or if the identity of the potential co-investment party, or the jurisdiction in which the potential co-investment party is based, may affect the likelihood of a Fund being able to capitalize on a potential investment opportunity);
- Whether the potential co-investment party will make commitments to invest in other Funds (including concurrently with the applicable co-investment) and/or future funds raised by the Adviser;
- Whether the co-investment opportunity is being provided in connection with a potential investment in or acquisition of interests through a secondary transfer of the Funds (i.e., a stapled co-investment opportunity); and
- Whether the Adviser believes, in its sole discretion, that allocating investment opportunities to a potential co-investment party will help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits (including

strategic, sourcing or similar benefits) to current or future Funds and/or the Adviser and whether the potential co-investment party has demonstrated a long-term and/or continuing commitment to the potential success of the current or future Funds and/or the Adviser.

The factors above are not listed in order of importance or priority and the Adviser is not required to, and does not, consider all of the factors described above in any particular investment and some factors may be more or less important depending upon the nature of the particular investment and attendant circumstances. The Adviser's exercise of its discretion in allocating investment opportunities with respect to a particular investment among the persons, including the Funds, potential co-investors, Adviser Investors, and Third Parties, and in the manner discussed above, often will not result in proportional allocations among such persons, and such allocations often will be more or less advantageous to some such persons relative to other such persons. While the Adviser determines how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the conflicts of interest to which the Adviser is subject, discussed herein, did not exist.

Without limiting the generality of the foregoing, Operations Support Providers often invest relatively small amounts in companies (including portfolio companies) with respect to which they, or another Operations Support Provider, is actively involved and may co-invest in other companies as well. Please also see "*Providers of Operations Support*" below for additional information on co-investment rights and compensation arrangements of Operations Support Providers.

In the event the Adviser determines to offer an investment opportunity co-investors, there can be no assurance that the offer will be accepted, that the closing of such co-investment will be consummated in a timely manner, that the co-investment will take place on the terms and conditions that will be preferable for the Fund, or that expenses incurred by the Fund with respect to the syndication of the co-investment will not be substantial and the Funds bear the risk that any or all excess portion of an investment is not sold or is sold on unattractive terms. As a consequence, the Fund may bear the entire portion of any fees, costs, and expenses related to such investment including, but not limited to, break-up fees and hold a larger than expected portion of such investment. An investment that is not syndicated to co-investors as originally anticipated could significantly reduce a Fund's overall investment returns. Further, it is possible that a potential co-investment party may experience financial, legal, or regulatory difficulties and may, from time to time, have economic, tax, regulatory, contractual, or other business interests or goals that are inconsistent with those of a Fund and as a result, may take a different view from the Adviser as to appropriate strategy for an investment or may be in a position to take a contrary action to a Fund's investment objective. In the event that the Adviser is not successful in offering a co-investment opportunity to potential co-investors, in whole or in part, the Fund may consequently hold a greater concentration and have more exposure in the related investment opportunity than was initially intended, which could make the Fund more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect thereto. Therefore, it is possible that a Fund that overcommits to an investment will bear a disproportionate allocation of the risks associated with the transaction without being compensated for assuming such risks.

A Fund's General Partner and its affiliates are permitted to make capital commitments and/or contributions to co-investment opportunities and co-investment vehicles investing alongside the Funds. Such amounts so committed or contributed are permitted, at the option of the applicable Fund's General Partner, to be deemed part of the amount the Adviser is otherwise required to contribute to the Funds. Any such amounts would be in full or partial satisfaction of amounts that would otherwise be invested in the Fund in respect of such investment, which could reduce the amount of such co-investment available to the limited partners. In addition, any such amounts invested by a Fund's general partner or its affiliates in co-investments alongside the Fund and deemed part of the amount the Adviser is otherwise required to contribute will result in the General Partner and/or its affiliates contributing less to the Fund than the Adviser's capital commitment to such Fund would otherwise imply.

### Secondary Transactions

In addition, to the extent the Adviser has discretion over a secondary transfer of interests in a Fund pursuant to such Fund's Organizational Documents, or is asked to identify potential purchasers in a secondary transfer, the Adviser will do so in its sole discretion, generally taking into account the following factors:

- The Adviser's evaluation of the financial resources of the potential purchaser, including its ability to meet capital contribution obligations;
- The Adviser's perception of its past experiences and relationships with the potential purchaser, including its belief that the potential purchaser would help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits to current or future Funds and/or the Adviser and the expected amount of negotiations required in connection with a potential purchaser's investment;
- Whether the potential purchaser would subject the Adviser, the applicable Fund, or their affiliates to legal, regulatory, reporting, public relations, media, or other burdens;
- A potential purchaser's investment into another Fund (including any commitment into a future fund);
- Requirements in such Fund's Organizational Documents; and
- Such other facts as it deems appropriate under the circumstances in exercising such discretion.

### Conflicts Related to Purchases and Sales

Funds from time to time invest in conjunction with an investment being made by other Funds, or in a transaction where another Fund has already made an investment. Conflicts may arise in connection with such investments. Investment opportunities are, from time to time, appropriate for more than one Fund at the same, different, or overlapping levels of a portfolio company's capital structure. Conflicts arise in determining the terms of investments, particularly where these clients may invest in different types of securities in a single portfolio company. Questions arise

as to whether payment obligations and covenants should be enforced, modified, or waived, whether payments should be accelerated, or whether debt should be refinanced. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring raise conflicts of interest and the Adviser may be incentivized to choose a course of action that benefits one Fund to the detriment of another Fund. In the event that one Fund has a controlling or significantly influential position in a portfolio company, it will have the ability to elect some or all of the board of directors of such a portfolio company, thereby controlling the policies and operations, including the appointment of management, future issuances of securities, payment of dividends, incurrence of debt, and entering into extraordinary transactions. In addition, a controlling Fund is likely to have the ability to determine, or influence, the outcome of operational matters and to cause, or prevent, a change in control of such a company. Such management and operational decisions may, at times, be in direct conflict with other Funds that have invested in the same portfolio company that do not have the same level of control or influence over the portfolio company.

If additional capital is necessary as a result of financial or other difficulties, or to finance growth or other opportunities, the Funds may or may not provide such additional capital, and, if provided, each Fund will supply such additional capital in such amounts, if any, as determined by the Adviser. In addition, a conflict arises in allocating an investment opportunity if the potential investment target could be acquired by either a Fund or a portfolio company of another Fund. Consequently, there may be instances where an investment opportunity appropriate for a Fund may instead be consummated, in whole or in part, by a portfolio company of another Fund, or by another Fund. In the event one Fund is unable to fund its share of additional capital (e.g., in the event such Fund does not have sufficient available capital), the other Fund may be obligated to fund more than its share of such amount. In such event, one Fund will gain greater exposure to such investment than may have been intended and the other Fund will be diluted in such investment. The returns of each Fund may be negatively impacted as a result of the foregoing Investments by more than one Fund in a portfolio company also raises the risk of using assets of a Fund to support positions taken by other Funds, or that a Fund may remain passive in a situation in which it is entitled to vote. In addition, there may be differences in timing of entry into, or exit from, a portfolio company by different Funds for reasons such as differences in strategy, existing portfolio, or liquidity needs. In addition, where more than one Fund invest in the same portfolio company, there can be no assurance that such parties will dispose of investments at the same time and on the same terms. Investments disposed of at different times will likely be disposed of at different valuations and, as a result, each Fund may realize different returns as compared to the same investment held by another Fund. These variations in timing may be detrimental to a Fund. At the same time, if the Adviser determines it is advisable for a Fund to exit an investment at the same time as another Fund of the Adviser or its affiliates, the term of which may expire sooner than the former Fund's, such Fund may dispose of its interest earlier than it ordinarily would have and may, as a result, experience lower returns than it otherwise may have earned on such investments. In addition, investors may receive different consideration (for instance, investors in one Fund may receive cash whereas investors in another Fund may be provided the opportunity to receive distributions in-kind) which may impact the realized return ultimately received by each Fund.

In such circumstances described above, the Adviser could take steps to reduce the potential conflicts of interest between the various Funds, including, but not required to cause a Fund to take certain actions that, in the absence of such conflict, it would not take (e.g., a Fund may divest itself of an asset it otherwise may have retained, the Adviser may establish information barriers, certain matters may be referred to an advisory committee or a third-party, or a Fund may only invest in securities that seeks to align the interests with other investing Funds). Any such steps could have the effect of benefiting one Fund or the Adviser at the expense of another Fund.

The application of a Fund's Organizational Documents and the Adviser's policies and procedures are expected to vary based on the particular facts and circumstances surrounding each investment by two or more Funds and, as such, there may be a degree of variation and potential inconsistencies, in the manner in which potential or actual conflicts are addressed.

### *Follow-on Investments*

Investments to finance follow-on investments may present conflicts of interest, including determination of the equity component and other terms of the new financing as well as the allocation of the investment opportunities in the case of follow-on acquisitions by one Fund in a portfolio company in which another Fund has previously invested. In addition, a Fund will from time to time participate in mergers or recapitalization transactions involving portfolio companies in which another Fund has already invested or will invest. Conflicts of interest arise, including determinations of whether existing investors are being cashed out, converted, or exchanged at a value that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing or otherwise acquiring securities with terms that are more or less favorable than the prevailing market terms.

Furthermore, a conflict of interest also arises because a Fund that participates in a follow-on investment in a portfolio company held by another Fund will benefit from the initial evaluation, investigation and due diligence undertaken by the Adviser on behalf of the original Fund and from operational or other information about such portfolio company acquired from the original Fund's ownership of interests in the portfolio company. In such circumstances, such benefitting Fund or Funds will not be required to reimburse the original Fund for expenses incurred in connection with researching such investment. An investment by a Fund in a portfolio company in which another Fund invests at a later stage may be made at a higher or lower valuation than the investment in such portfolio company by such other Fund and an investment by one or more other Funds in any such portfolio company may dilute the original Fund's interest in such portfolio company.

Additionally, the Adviser at times will make a follow-on investment in a portfolio investment because such follow-on investment protects the rights given to the investing Fund (or another Fund) previously or for reputational or strategic reasons, even when such follow-on investment's valuation has decreased since the original investment. These reputational benefits and protections will, from time to time, benefit and/or accrue to other Funds and/or the Adviser at the expense of the current Fund(s) investing in such follow-on investment.

## Cross-Transactions

While uncommon, the Adviser may, from time to time, cause a Fund to purchase investments from another Fund, sell investments to another Fund, or cause two portfolio companies to merge or consolidate. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, a Fund may not receive the best price otherwise possible, or the Adviser might have an incentive to improve the performance of one Fund by selling underperforming assets to another Fund in order, for example, to earn fees. Additionally, in connection with such transactions, the Adviser, its affiliates and/or their professionals (1) will, from time to time have significant investments, or intentions to invest, in the Fund that is selling and/or purchasing such an investment, or (2) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). The Adviser and its affiliates generally receive management or other fees in connection with their management of the relevant Funds involved in such a transaction, and generally are entitled to share in the investment profits of the relevant Funds.

Depending on the transaction structure, these transactions may disproportionately benefit the purchasing, selling, or merging Fund (or the Adviser as a result of its interests in a particular Fund), and one Fund may incur expenses or forego gains that would have been obtained had it not entered into such transaction. For example, the Adviser may be incentivized to support a less successful portfolio company of an older Fund by causing a newer Fund with a longer remaining term and investment period to purchase a part or all of such portfolio company in order to provide the Adviser additional time to potentially manage it to a successful exit and increase the likelihood of the Adviser or an affiliate receiving an Incentive Compensation. Conversely, the Adviser may be incentivized to sell an attractive investment in an older Fund to a newer Fund to increase the amount of fees received by the Adviser or an affiliate with respect to such an investment. Determining the valuation or other terms of such transactions may also create a conflict of interest due to the Adviser's consideration of the particular terms (including the fee terms) of the Funds and the Adviser's interest in such Funds. As a result, the acquiring entity may purchase a Fund's portfolio company at a valuation that is: (a) lower than the price that could have been obtained in the market had there been a robust sales process with multiple third-party bidders or (b) higher than the value of the company resulting in an overvaluation.

Under certain circumstances, the Adviser may wish to reduce the investment of one or more Funds in an investment and increase the investment of other Fund(s) in such investment, and may, therefore, effect such transactions by directing the transfer of such investment between such Funds or through any other transaction structure (for example, distribution of portfolio company interests from one Fund and contribution of such interests to another Fund). Any costs and expenses associated with any such transaction will be borne by such Funds in accordance with such Funds' Organizational Documents and to the extent not addressed in the applicable Organizational Documents, on an allocation that the Adviser deems in good faith to be fair and reasonable.

To address these conflicts of interest, in connection with effecting such transactions, the Adviser will follow the Investment Allocation Requirements of the relevant Funds (e.g., the Organizational Documents of certain Funds may provide for the rebalancing of investments at certain times and at a cost set forth in those Organizational Documents so that these Funds' resulting ownership of investments is generally proportionate to the relative capital commitments of the Fund). To the

extent such matters are not addressed in the Investment Allocation Requirements, the Adviser's Chief Compliance Officer, or his designee, will be responsible for confirming that the Adviser (1) considers its respective duties to each Fund, (2) determines whether the purchase or sale and price or other terms are comparable to what could be obtained through engaging in an arm's length transaction with a third party on commercially reasonable terms (which may or may not involve a valuation agent or soliciting a third party bid), and (3) obtains any required approvals of the transaction's terms and conditions. There can be no assurance that any such conflicts can be resolved in a manner that is beneficial to each Fund or portfolio company nor is there any assurance that such transaction will be equally or similarly profitable or advantageous to each participating Fund.

### Principal Transactions

Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a "principal transaction"), the adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client's consent to the transaction. In connection with the Adviser's management of the Funds, the Adviser and its affiliates may engage in principal transactions. The Adviser has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including those disclosures required by Section 206 of the Advisers Act be made to the applicable Fund(s) regarding any proposed principal transactions and that any required prior consent to the transaction be received.

From time to time the Adviser may determine that it is in the best interest of a Fund holding an investment (the "selling Fund") to transact with another Fund (the "purchasing Fund") in order to provide the selling Fund's investors with an option to either: (1) receive cash proceeds from the selling Fund's sale or transfer of such portfolio company and/or (2) "roll" (i.e., retain) their interest in such portfolio company. These types of transactions are often referred to as "continuation transactions." In connection with such continuation transactions, the Adviser may require the investors in the purchasing Fund to make an additional investment in a Fund or commit to invest in a future Fund. In addition to those conflicts of interest described above under "Cross Transactions", conflicts of interest arise in these continuation transactions because (i) the Adviser and its affiliates are charging investors in the purchasing Fund an Advisory Fee and Incentive Compensation (which economics are likely to be different than the selling Fund) and the transactions have the potential to result in the receipt of additional Advisory Fees and Incentive Compensation by the Adviser and its affiliates; (ii) the Adviser and Operation Support Providers are expected to have the ability to make material investments in the purchasing Fund, which may cause them to take actions that benefits the purchasing Fund; (iii) the Adviser is actively involved in negotiating the terms of the sale on behalf of the selling Fund, on the one hand, and the purchasing Fund, on the other hand (including allocation of expenses incurred in the transaction); and/or (iv) of the requirement for an investor in the purchasing Fund to make an investment in a Fund or a commitment to invest in a future Fund, which (a) incentivizes the Adviser to favor such investors because of the potential for the Adviser and its affiliates to earn additional Advisory Fees with respect to any such investment or commitment to invest, and (b) could affect the price such investors offer to purchase the asset from the selling Fund. Additionally, conflicts of interest arise



in continuation transactions as a result of the allocation of fees and expenses because fees and expenses will be incurred in connection with the transaction, and the Adviser might determine to allocate bankers' fees and certain other fees and expenses solely to selling investors and not to the "rolling investors" or "new investors" in the purchasing Fund or vice versa.

To the extent not addressed in a Fund's Organizational Documents, the Adviser will address conflicts of interest that arise in connection with continuation transactions as set forth above under "Cross Transactions."

### Management of the Funds

The Adviser manages a number of Funds that have investment objectives similar to each other. In addition, the Adviser expects that it, or its Operation Support Providers, will in the future establish one or more additional investment funds with investment objectives substantially similar to, or different (and potentially conflicting) from, those of the current Funds. The Adviser and Operation Support Providers may give advice or take actions with respect to, the investments of one or more Fund that may not be given or taken with respect to other Funds with similar investment programs, objectives, or strategies. As a result, Funds with similar strategies will not hold the same securities or achieve the same performance. In addition, a Fund generally may not be able to invest through the same investment vehicles or have access to similar credit or utilize similar investment strategies as another Fund. These differences will result in variations with respect to price, leverage, and associated costs of a particular investment opportunity.

In addition, it is expected that Operation Support Providers who are responsible for managing a particular Fund will have responsibilities with respect to other Funds that may be managed by the Adviser, including funds raised in the future or to proprietary investments made by the Adviser and/or its principals of the type made by a Fund. Conflicts of interest arise in allocating time, services, or functions of these individuals. Operation Support Providers have an incentive to allocate more time, services or functions to Funds from which such personnel derive a higher economic benefit and/or better performing Funds.

The Adviser will, from time to time, consider, and reject an investment opportunity on behalf of one Fund and, the Adviser or an affiliate of the Adviser may subsequently determine to have another Fund make an investment in the same company. A conflict of interest arises because one Fund will, in such circumstances, benefit from the initial evaluation, investigation, and due diligence undertaken by the Adviser on behalf of the original Fund considering the investment. In such circumstances, the benefitting Fund or Funds will not be required to reimburse the original Fund for expenses incurred in connection with researching such investment.

In connection with evaluating a potential investment that is not consummated a Fund will incur Dead Deal Costs. Such Dead Deal Costs are, from time to time, rolled forward and capitalized into a subsequent transaction that is consummated. In such cases, another Fund and new co-investors may participate with the original Fund in the subsequent consummated transaction. As a result, the other Fund (and/or new co-investors) that were not participating in the unconsummated transaction may be responsible for bearing a portion of Dead Deal Costs incurred by the original Fund.

### Access to Information

An Operations Support Provider, or its affiliates may serve as a director, officer, employee, or consultant of one or several of the portfolio companies of the Funds. As a result, the Funds (through their representatives or otherwise) may receive, or be deemed to receive, information that would restrict their ability to cause the Funds to buy or sell securities of a company for substantial periods of time when profit could otherwise be realized or loss avoided, which may adversely affect the Funds' flexibility in buying or selling securities. In addition, the ability of the Funds to execute trades in securities of these companies may also be restricted by securities laws as a result of the board participation, services provided to the company as an officer, employee, or consultant, or due to the extent of ownership of the Funds and affiliated persons.

Information received by the Adviser, its affiliates and their employees, as well as by Operations Support Providers with respect to certain investments and potential investments could restrict the Funds' ability to engage in certain trading activities. These restrictions on the ability of the Funds to make or unwind their investments because of the receipt of material, non-public information could have material adverse consequences for the Funds.

In addition, the Adviser receives and generates various kinds of portfolio company data and other information, including information related to financial, industry, market trends, business operations, budgets, customers, suppliers, competitors, ESG, and other metrics, financial information, commercial and transactional information, user data, cost data and related data or information, some of which is sometimes referred to as "big data." This information may, in certain instances, include confidential and/or sensitive information received or generated in connection with efforts on behalf of one Fund's investment (or prospective investment) in a portfolio company. As a result, the Adviser is better able to anticipate macroeconomic and other trends, financial opportunities, enhance and improve operations of portfolio companies and otherwise develop investment strategies. The Adviser also intends to utilize such data for purposes of identifying new investments opportunities for the Funds. Information from a portfolio company owned by a Fund may enable the Adviser to better understand a particular industry and develop and execute investment strategies in reliance on that understanding for the Adviser and other Funds that do not own an interest in such portfolio company, without compensation or benefit to such Fund or its portfolio companies. Portfolio companies may incur incremental expenses in collecting and organizing information requested or required to be furnished to the Adviser (which expenses are indirectly borne by the Funds). The Adviser may, from time to time, enter into information sharing and confidentiality arrangements with portfolio companies and other sources of information that may limit the internal distribution and use of such data. The Adviser has already, and is likely in the future in certain instances, used this information in a manner that may provide a material benefit to the Adviser, its affiliates, portfolio companies, or to certain other Funds, without compensating or otherwise benefitting the Fund or Funds from which such information was obtained. In addition, the Adviser may have an incentive to pursue investments in portfolio companies based on the data and information expected to be received or generated as a result of the investment. Furthermore, except for (a) contractual obligations to third parties to maintain confidentiality of certain information or otherwise limit the scope and purpose of its use and distribution, (b) policies, practices and procedures designed to ensure confidentiality of trade secrets and (c) compliance with applicable data privacy laws, laws prohibiting insider trading, anti-competition laws and laws protecting national security interests, the Adviser is generally free to

use data and information from a Fund's activities in its sole discretion for the benefit of the Adviser and other Funds. The sharing and use of "big data" and other information present potential conflicts of interest and any benefits received by the Adviser or its personnel will not be subject to the Advisory Fee offset provisions or otherwise shared with a Fund or its investors. The Adviser has in the past and is likely in the future to utilize such information to benefit the Adviser, its affiliates, or certain Funds.

The Adviser and its affiliates may also enter into formal or informal arrangements with portfolio investments to facilitate the sharing of data and/or data analytics. Subject to applicable legal, regulatory, and contractual requirements, these information sharing arrangements are designed to allow the Adviser, the Funds, and the Funds' portfolio companies to better discern economic or other trends and developments. The Adviser believes that all Funds benefit from these arrangements in ways that would be impossible without the ability to aggregate data from across the Adviser's businesses and the Funds' portfolio companies. However, information sharing may involve conflicts of interest between the Funds and/or between the Funds and the Adviser. For example, data analytics based on inputs from one portfolio company may inform business decisions by other portfolio investments, or investment decisions by the Adviser and its affiliates, without the source of the data being directly compensated. It is difficult, if not impossible, to measure exactly the benefits any particular entity receives from these kinds of arrangements, or to provide specific and direct monetary compensation for such information. Therefore, the Adviser and its affiliates may utilize such data outside of Fund activities in a manner that may provide a material benefit to the Adviser, without directly compensating or otherwise benefiting the Funds. As a result, the Adviser may have an incentive to pursue investments (on its own behalf or on behalf of the Funds) based on the data that may be accessible as a result of owning such investments, and/or to utilize such data in a manner that benefits the Adviser and/or investments held by other Funds.

#### *Conflicts Relating to the General Partner and the Adviser*

Operations Support Providers and other related persons of the Adviser and its affiliates have made, and may make, capital investments in or alongside certain Funds, and, therefore, have additional conflicting interests in connection with these investments. Where such persons have differing economic interests in certain Funds (whether by different carry interests, ownership amounts, co-investments or otherwise), and where such persons have made an investment in or otherwise own, directly or indirectly, an interest in a portfolio company of a Fund (such as in the case of "personal equity" or "founders' equity"), such persons have a conflict of interest because of their personal direct or indirect economic interests in a specific portfolio company and would be incentivized to influence the Adviser's decision whether to invest in such portfolio company, which may have the effect of preserving or enhancing such portfolio company's value, or supporting its funding needs. Conversely, such persons would be motivated to influence the Adviser's decision to cause a Fund to not pursue an otherwise appropriate investment opportunity for such Fund or a different Fund in a potential investment target, in order to protect their personal investment (e.g., if the target is in competition with or engaged in litigation with such portfolio company).

By reason of their responsibilities in connection with other activities of the Adviser, certain Operation Support Providers may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. The Funds will not be free to act upon

any such information. Due to these restrictions, the Funds may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

In addition, Funds, from time to time, invest in securities of companies in which Operations Support Providers and other related persons of the Adviser and its affiliates have previously invested for their own accounts, or may in the future invest. Operations Support Providers and other related persons of the Adviser and its affiliates from time to time invest for their own accounts in securities of companies in which the Funds have previously invested. While the significant interests of the officers and employees of the Adviser generally align the interest of such persons with the Funds, such persons may have differing interests from the Fund with respect to such investments (for example, with respect to the availability and timing of liquidity). Further, conflicts of interest arise as a result of a Fund's partners or members (including the General Partner) or their affiliates having investments in existing Fund portfolio companies, on the one hand, and personal investments in other public and private companies, on the other hand, some of which may overlap from a timing perspective, or may be in overlapping layers of a capital structure. There can be no assurance that the return of a Fund participating in a transaction would be equal to, and not less than, another Fund participating in the same transaction or that it would have been as favorable as it would have been had such conflicts not existed.

The Adviser, its affiliates, and Operations Support Providers may buy or sell securities or other instruments that the Adviser has recommended to Funds. Operations Support Providers may also buy securities in transactions that have been offered to but rejected by Funds or may in the future be offered to the Funds. A conflict of interest may arise because such investing Operation Support Providers will, for some investments, benefit from the evaluation, investigation, and due diligence undertaken by the Adviser on behalf of the Fund. In such circumstances, the investing Operation Support Providers will not share or reimburse the relevant Fund(s) and/or the Adviser for any expenses incurred in connection with the investment opportunity.

The Adviser, and/or certain Operation Support Providers, provide certain services and industry knowledge to portfolio companies that are organized, founded, or built by the Adviser, its affiliates, and/or its personnel and receive compensation (in cash, equity or otherwise) from such portfolio companies as "founders' equity". As a result, Operation Support Providers have an incentive to allocate investment opportunities to the Funds from which the Operation Support Providers derive, directly or indirectly, higher economic or other benefits. The Adviser, and/or Operation Support Providers, will generally act in its own interest with respect to its "founders' equity" and may determine to sell its securities, or hold on to the securities for such time as the Adviser shall determine. The ability of the Adviser, and/or Operation Support Providers, to act in its own interest with respect to such "founders' equity" creates a conflict of interest between the General Partner or affiliates, as an adviser to the Fund, and the Fund(s).

In addition, Operations Support Providers may also buy securities and hold interests as passive investors in other investment vehicles (including private equity funds, venture capital funds, hedge funds, real estate funds, and other similar investment vehicles) which may include potential competitors of the Funds and/or which may invest in similar industries and sectors as the Funds (including investments for purposes of sourcing future investment opportunities). Such Operation Support Providers have a conflict of interest with respect to their personal investment holdings.

There could be situations in which such investment vehicles invest in the same portfolio companies as the Funds and there may be situations in which such investment vehicle purchases securities from, or sells securities to, a Fund. The investment policies, fee arrangements, and other circumstances of these investments may vary from those of the Funds. In the event Operation Support Providers make an investment with the intent to source future investments for the Funds, there is a greater likelihood that the Funds will make investments in the same portfolio companies in which Operation Support Providers hold an interest as described above.

The transactions described above are subject to the policies and procedures set forth in the Adviser's Code of Ethics and investors will not benefit from any such investments.

Operation Support Providers have family members that are actively involved in industries and sectors in which the Funds invest or have business, personal, financial or other relationships with companies in such industries and sectors (including service providers described below) or other industries, which gives rise to conflicts of interest. For example, such family members might be officers, directors, personnel or owners of companies which are actual or potential investments of the Funds or other counterparties of the Funds and the portfolio companies. Moreover, in certain instances, the Funds or the portfolio companies may purchase or sell companies or assets from or to, or otherwise transact with companies that are owned by such family members or in respect of which such family members have other involvement. The fees for services provided by such service providers may or may not be at the same rate charged by other third party service providers and the Adviser is not required to select service providers who may have lower rates (or to engage in any benchmarking of such fees). In most such circumstances, the Funds' Organizational Documents will not preclude Funds from undertaking any of these investment activities or transactions.

From time to time, Operation Support Providers may invest in funds or other entities managed by limited partners of a Fund, which could incentivize such Operation Support Providers to afford the limited partner preferential or favored treatment, such as, for example, increased access to co-investment opportunities, and could create conflicts of interest to the extent such other funds compete with a Fund for investment opportunities or invest in competing portfolio companies.

The General Partner of a Fund may, in its discretion, under certain circumstances elect to increase its commitment to such Fund prior to the final close of the Fund without the consent of the limited partners. Any increased commitment by the general partner will dilute the interests of the limited partners. Although the General Partner will pay interest in respect of prior capital contributions in the same manner as is paid by the limited partners, the General Partner has information about the Fund's investments, including regarding their valuation and performance expectations, which the limited partners do not have and that information may inform its decision whether to increase its capital commitment. Therefore, the general partner has a conflict of interest in deciding to increase its subscription because a decision to increase its subscription may result in the General Partner receiving value that would have otherwise benefitted limited partners.

### Fee Structure

The Advisory Fee is payable in accordance with the Fund's Organizations Documents, typically until the Fund is liquidated. Additionally, as discussed above in Item 6, the General Partners of

many Funds are entitled to Incentive Compensation under the terms of the Organizational Documents of such Funds. Such General Partners are affiliates of the Adviser. The existence of the General Partners' Incentive Compensation creates an incentive for the General Partners to cause such Funds to make more speculative investments than they would otherwise make in the absence of performance-based compensation. However, the investment made by the Adviser, or its affiliates, in a Fund, the clawback obligation of the General Partner (as described below), and the fact that the preferred return is calculated on an aggregate basis reduce the incentive to make speculative investments or otherwise time the sale of an investment in a manner motivated by the personal benefit or the benefit of the Adviser or the General Partner.

Pursuant to the Organizational Documents, the General Partner may be required to return excess amounts of Carried Interest as a "clawback". This clawback obligation may create an incentive for the General Partner to defer disposition of one or more investments or delay the liquidation of a Fund if the disposition and/or liquidation would result in a realized loss to the Fund or would otherwise result in a clawback situation for the General Partner.

In addition, the General Partner is incentivized to hold on to investments that have poor prospective for improvement in order to receive ongoing Advisory Fees in the interim and, potentially, a more likely or larger Carried Interest distribution if such asset's value appreciates in the future. This incentive is increased by the presence of the clawback obligation of the General Partner.

The Organizational Documents of certain Funds permit the General Partner of each such Fund to cause such Fund to distribute such General Partner's share of securities resulting from an investment disposition by such Fund to such General Partner or its affiliates (including managing directors and employees) in kind, while disposing of limited partners' share of such securities and distributing the net cash proceeds of such sale of securities to the limited partners. This ability creates conflicts of interest between the General Partners and the limited partners of the applicable Fund. The General Partners are particularly incentivized to receive distributions in-kind of securities that it expects to increase in value, and in cases where the increase occurs, if the limited partners received cash distributions instead of in-kind distributions, the limited partners will be denied the benefits of that increase had the Fund retained the securities and the General Partner will receive more value from the securities than it would have had its carried interest been paid in cash. Furthermore, the General Partner, or its affiliates, may receive distributions in kind from an investment disposition. In the event the General Partner, or its affiliates, receive such a distribution, the General Partner will generally act in its own interest with respect to its share of securities and may determine to sell the distributed securities (which may include selling its securities prior to the time at which the investor sells its distributed securities), or hold on to the distributed securities for such time as the General Partner shall determine. The ability of the General Partner to act in its own interest with respect to such distributed shares creates a conflict of interest between the General Partner or affiliate, as an adviser to the Fund, and the Fund. These conflicts may be exacerbated due to the enhanced knowledge and information the General Partner has relative to the limited partners with respect to such securities.

Pursuant to the Organizational Documents, the General Partner may elect to receive its Carried Interest in the form of an in-kind distribution of securities of a portfolio company, including for purposes of permitting one or more General Partner personnel to donate such securities to charity (which may include private foundations, fund or other charities so chosen by such personnel). Any

tax efficiencies to such General Partner personnel associated with this form of charitable giving may have the effect of reinforcing or enhancing the General Partner's incentives otherwise resulting from the existence of its Carried Interest and therefore, the General Partner may have a conflict of interest in making decisions on behalf of the Funds (including, for instance, the timing of disposition of investments).

#### Fund Level Borrowing

The Funds from time to time borrow funds or enter into other financing arrangements for various reasons, including to fulfill its capital commitments to affiliate Funds (including borrowings pending receipt of capital contributions from investors).

To the extent the Fund uses borrowed funds in advance or in lieu of capital contributions, the Fund's investors generally make correspondingly later capital contributions, but the Fund will bear the expense of interest on such borrowed funds.

While the Adviser expects that all parties participating in an investment (including the general partner and any co-investment party) will bear its pro rata share of the interests' expenses allocable to the extension of credit, the Fund will bear a disproportionate amount of the credit risk in incurring the debt on behalf of the other parties.

Borrowing by the Fund will generally be secured by capital commitments made by the Limited Partners to the Fund and/or by the Fund's assets, and documentation relating to such borrowing may provide that during the continuance of a default under such borrowing, the interests of the investors may be subordinated to such Fund-level borrowing. To the extent a Fund's borrowing funds a co-investment party's pro rata share of an investment or an expense related to an investment, the Fund will bear a disproportionate amount of the credit risk in incurring debt on behalf of the co-investment party.

The use of Fund level borrowings will differ based on available credit facility capacity and contractual terms applicable to each Fund and each such credit facility. Therefore, as the subscription credit facilities utilized by the Funds may have different terms, while the Funds may be invested in the same investment, and while the valuation of such investment would be consistently determined pursuant to the relevant Organizational Documents, the investment return can, in certain circumstances, differ among the Funds as a result.

#### Providers of Operations Support

The Adviser, and/or its Operations Support Provider may provide services to the Adviser and the Funds, as well as a portfolio company, or a portfolio company of another Fund or entity organized or funded by the Adviser or its affiliates (each, a "**Portfolio Company**").

With respect to services provided to Portfolio Companies, the Operations Support Providers may provide services, including, but not limited to, services as a director, executive, employee (or other operational role), consultant, or services pertaining to finance, legal, IT, operations, and administration (the "**Services**"). In exchange for the Services, an Operations Support Provider may receive compensation and/or reimbursement (including, for the avoidance of doubt, equity and cash compensation) paid by such Portfolio Company, which may be retained by such Operations

Support Provider and will not reduce the Advisory Fee payable to the Adviser by the applicable Funds. In such cases, any equity and cash compensation received by Operations Support Providers will be (1) at industry-standard rates and (2) in the case of any equity compensation, such equity compensation received by each Operations Support Provider will not exceed certain percentages of the Portfolio Company's capitalization as described in the applicable Organizational Documents.

With respect to services provided to the Adviser or the Funds, the Operations Support Providers are engaged to provide operational support, due diligence, research, specialized operations and consulting services, and similar or related services relating to the identification, acquisition, holding, improvement, and disposition of portfolio companies and also provide "front office" functions with respect to a Fund, such as sourcing or other investment-related functions (such services collectively, "**Operations Support Services**"). These Operation Support Services may be high level insight or extensive day-to-day roles, and may include support to the General Partner on behalf of the Funds, or portfolio companies regarding, among other things, the company's management (including serving in officer or management positions or participating in determining corporate strategy), the company's revenue and margin management (including determining sales/marketing strategy), data intelligence, finance (including generating metrics and reporting and business restructuring), human capital management (including recruiting personnel and determining executive/incentive compensation), information technology, corporate communications, customer service, sustainability (including, strategy, policy and reporting development), and similar operational matters. It is expected that the services provided by the Operations Support Providers will expand over time. With respect to this role at portfolio companies, this role may be temporary until a permanent replacement is found, but may also be more permanent, until the company is sold. Operations Support Providers may provide services to more than one portfolio company, in either a consulting capacity or as a member of the Board of Directors.

The nature of the Adviser's relationship with each such Operations Support Provider, and the time spent by each such Operations Support Provider, may vary significantly. Certain Operations Support Providers may be subject to contractual obligations to exclusively provide certain services to the Funds and/or the portfolio companies. These arrangements may be memorialized in a formal written agreement or may be informal and are negotiated individually, depending upon the anticipated Operations Support Services to be provided. In certain cases, Operations Support Providers have attributes of Adviser employees (for instance, they may have dedicated office space, receive Adviser administrative support services, participate in general meetings or events for employees, have Adviser e-mail address or business cards), even though they are not employees of the Adviser. Operations Support Providers may, under certain circumstances, be offered the ability (or may under certain circumstances have a preferred right) to co-invest alongside Funds or will, under certain circumstances, be offered the opportunity directly by the portfolio company to invest in the portfolio company, including in investments in which such Operations Support Provider is involved or participates in the management thereof. Operations Support Providers may receive a variety of cash compensation and/or equity in a portfolio company, in addition to cash compensation and Carried Interest in a Fund of the Adviser and its affiliates for providing services for the relevant Fund.



Pursuant to the Organizational Documents of the Funds, certain fees, expenses, and any attributable overhead associated with Operations Support Services (collectively, “**Operations Expenses**”) are paid and/or reimbursed by the Adviser, portfolio companies, and/or the Funds, as applicable. The allocation of Operations Expenses to the Adviser, Funds, or a Portfolio Company is determined at the discretion of the General Partner taking into account the particular Operations Support Services and may include reimbursement of an allocable portion of an affiliated Operations Support Provider’s compensation expenses (including, without limitation, salary, bonus, payroll taxes and benefits, annual or retainer fees or bonuses (including discretionary bonuses, success fees (in the form of cash or equity) based on pre-determined targets or milestones, a profits or equity interest in the Funds and/or portfolio company or other incentive-based compensation, and will generally be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the Operations Support Provider, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such companies. It may be difficult to distinguish services provided by the Operations Support Providers from the investment advisory services provided to the Funds by the Adviser and its affiliates, and the determination of whether a service is an Operations Support Service will be made by the General Partner, in its sole discretion. In the event an Operations Support Provider is paid an annual retainer, the value provided to the relevant Fund and/or portfolio company by such Operations Support Provider may vary year to year and there can be no assurance that the annual retainer paid will be commensurate with the value provided by the Operations Support Provider.

Operations Expenses may also be incurred in respect of portfolio companies prior to the closing of the investment. To the extent services are provided for the benefit of a Fund, without reference to a particular portfolio company, Operations Expenses incurred in connection with such services are borne by the Fund and, indirectly, the investors in such Fund. In the event one or more Operations Support Providers (directly or indirectly) is providing services with respect to the Funds, such Operations Expenses will be allocated among the Funds as determined by the General Partner or Adviser, consistent with the Organizational Documents of the applicable Funds and as described above (see “*Allocation of Expenses*”). To the extent any such Operations Expenses are payable to any Operations Support Provider by the Funds or a portfolio company, such Operations Expenses will be retained by such Operations Support Provider and will not reduce the Advisory Fee or any other fees otherwise payable to the Adviser or its affiliates and will not benefit the Fund or its investors, even if the Operations Expenses paid by a Fund or a portfolio company have the effect of reducing any retainers or minimum amounts otherwise payable by the Adviser. The determination of whether an Operations Expense is paid by a portfolio company, a Fund, or the Adviser will be made by the Adviser in its sole discretion. The General Partner’s good faith determination as to whether a service is an Operations Support Service, the categorization of any fees and expenses (e.g., as Operations Expenses), and the allocation of such fees and expenses shall be binding on the Fund and its investors. Over time, certain existing and former employees of the Adviser (including senior personnel) may transition to an Operations Support Provider role, which will shift the burden of compensating such persons from the Adviser to the applicable Fund and/or its portfolio companies and any fees received by such persons will not reduce the Advisory Fee.

### Diverse Membership

The investors in the Funds are expected to include U.S. taxable and tax-exempt entities, and institutions from jurisdictions outside of the United States. Such investors often have conflicting investment, tax, and other interests with respect to their investments in a Fund. The conflicting interests among the investors generally relate to or arise from, among other things, the nature of investments made by a Fund, the structuring of the acquisition of investments, and the timing of the disposition of investments. Consequently, conflicts of interest arise in connection with decisions made by the Adviser or its affiliates, including with respect to the nature or structuring of investments, that are more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for a Fund, the Adviser and its affiliates will consider the investment and tax objectives of the applicable Fund, not the investment, tax or other objectives of any investor individually.

### Business with, and Among, Portfolio Companies and Investors and Prospective Investors

Given the collaborative nature of the Adviser's business and the portfolio companies in which the Funds have invested, there are situations where the Adviser is in the position of recommending the services of a portfolio company to other portfolio companies of the Funds or, which may involve fees, commissions, servicing payments, and/or discounts to the Adviser, an affiliate, or a portfolio company. The Adviser will generally have a conflict of interest in making such recommendations, in that the Adviser has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for the Funds, while the products or services recommended may not necessarily be the best available to the portfolio companies held by the Funds. The benefits received by a portfolio company providing a service may be greater than those received by the Fund(s) and its portfolio companies receiving the service.

Portfolio companies controlled by a Fund may, from time to time in the future, provide services to certain Fund investors or prospective investors. The Adviser has an incentive to cause the portfolio company to favor those investors or prospective investors relative to other portfolio company clients or customers in terms of pricing or otherwise, which could adversely affect the portfolio company's profitability to the Fund.

In certain instances, a Fund's portfolio company competes with, is a customer of, or is a service provider to, another Fund's portfolio company. In addition, Operation Support Providers may have roles at multiple portfolio companies (including director, officer, employee, or consultant roles) that directly compete with one another. In providing advice to a portfolio company's business, the Adviser may consider the interests of one portfolio company or Fund and is not obligated to, and need not, take into consideration the interests of other relevant portfolio companies or Funds. As a result, a conflict of interest may arise in these instances because advice and recommendations provided by the Adviser to a portfolio company may have adverse consequences to a separate portfolio company in which another Fund has invested. The performance and operations of a competitor, customer or service provider portfolio company could conflict with, and adversely affect the performance and operations of another portfolio company, or could adversely affect prices, business opportunities or potential acquisition opportunities. For instance, a portfolio company may seek to expand its market share at the expense of another portfolio company, engage in research development activities that overlap or conflict with those of another portfolio company,

withdraw business from another portfolio company in favor of another company offering the same product or service at a lower price, increase its own prices, purchase assets from, or sell assets to, another portfolio company, commence litigation against another portfolio company, or prevent one portfolio company from commencing litigation against another portfolio company.

In addition, certain portfolio companies controlled by a Fund have in the past, and may, from time to time in the future, engage in activities that could adversely affect another Fund and/or its portfolio company, including, for instance, as a result of laws and regulations or certain jurisdictions (such as bankruptcy, environmental, consumer protection and/or labor or union laws) that may not recognize or permit the segregation of assets and liabilities between separate entities. Such jurisdictions may also allow for recourse against assets that are under common control with, or part of the same economic group as the entity that has incurred the liability. This may result in the assets of a Fund and/or a portfolio company being used to satisfy the obligations or liabilities of another Fund or its portfolio company.

A Fund's portfolio companies may be counterparties or participants in agreements, transactions, or other arrangements with portfolio companies of other Funds managed by the Adviser that, although the Adviser determines to be consistent with the requirements of such Funds' Organizational Documents, may not have otherwise been entered into but for the affiliation with the Adviser, and which may provide economic or other benefits to affiliates of the Adviser that are not subject to the Advisory Fee offset provisions described herein. For example, the Adviser may in the future cause portfolio companies to enter into agreements regarding group procurement (which may depend on the volume of services purchased under these agreements and which may be pooled across multiple portfolio companies and discounted due to scale), benefits management, purchase or title and/or other insurance policy (which may be pooled across multiple portfolio companies and discounted to scale), and other similar operational initiatives that may result in fees, better pricing, rebates, servicing payments, commissions, or similar payments and/or discounts being paid to the Adviser, its affiliates or a portfolio company, including related to a portion of the savings achieved by the portfolio company. While the Adviser may have a conflict of interest because its economic benefit may incentivize the Adviser to maintain such arrangements, the Adviser believes that such agreements benefit the portfolio companies due to increased access to quality products and services at beneficial pricing and the Adviser's benefits from such arrangements are reduced because the Adviser only benefits on at the same rate as the portfolio companies. However, it should not be assumed that a company related to, or otherwise affiliated with the Adviser, will only take actions that are beneficial to, or not opposed to, the interests of a Fund and its portfolio companies.

The Adviser and its affiliates may, from time to time, hire part-time or full-time employees (including interns) who are relatives of, or are otherwise associated with an investor, portfolio company, former portfolio company, investment target, or service provider. Although the Adviser uses reasonable care to mitigate any potential conflicts of interest with respect to each particular situation, there is no guarantee the Adviser can control all such conflicts of interest and there may be a continuing appearance of a conflict of interest (including, for instance, preferential hiring practices).

### Service Providers

Services required by a Fund (including some services historically provided by the Adviser or its affiliates to the Funds) may, for certain reasons including efficiency and economic considerations, be outsourced in whole or in part to third parties or licensed software, in each case in the discretion of the Adviser or its affiliates. The Adviser and its affiliates have an incentive to outsource such services at the expense of the Funds to, among other things, leverage the use of Operation Support Providers. Such services may include, without limitation, deal sourcing, asset management, information technology, licensed software, depository, data processing, client relations, administration, custodial, marketing and marketing-reviews, accounting, valuation, legal, human resources, client services, compliance, corporate secretarial and tax support, director services and other similar services. Outsourcing may not occur universally for all Funds and accordingly, certain costs may be incurred by a Fund for a third-party service provider that is not incurred for comparable services by other Funds. The decision by the Adviser to initially perform a service for a Fund in-house does not preclude a later decision to outsource such services (or any additional services) in whole or in part to a third-party service provider in the future and the Adviser has no obligation to inform such Funds or investors of such a change. Such services may also supplement or be performed alongside services performed by the Adviser. In addition, certain internal service providers (such as internal accountants) may “shadow” or otherwise review the reports of other services provided by such third parties. The costs and expenses of any such third-party service providers will be borne by the relevant Funds.

The Adviser, and/or its affiliates, may engage certain service providers (separately or in addition to Operation Support Providers) to provide services to the Adviser, the Funds and/or the portfolio companies, including services during the due diligence and acquisition process. Such service providers may be, in certain circumstances, investors in a Fund or affiliates of such investors. The engagement of any such service provider may be concurrent with an investor’s admission to a Fund, or during the term of such investor’s investment in the Fund. This creates a conflict of interest, as the Adviser may give such investor preferred economics or other terms with respect to its investment in a Fund, enhanced information or may have an incentive to offer such investor co-investment opportunities that it would not otherwise offer to such investor. In addition, the Adviser will have a conflict of interest in recommending the retention or continuation of a service provider to the Funds or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in Funds or will provide the Adviser information about markets and industries in which the Adviser operates, will provide other services that are beneficial to the Adviser and/or will provide financial sponsorship of events held by the Adviser (such as transaction closing dinners or outings, or informational summits or training events for the Adviser or portfolio company personnel). The Adviser generally has an incentive to recommend the products or services of certain investors or prospective investors in the Funds to the Funds or their portfolio companies for use or purchase, even though the products or services recommended may not necessarily be the best available to the Funds or the portfolio companies.

The Adviser has in the past, and may in the future in its sole discretion, contract directly with, or recommend to a Fund or to a portfolio company thereof (in response to a solicitation for a recommendation or otherwise), that it contract for services with, a related person of the Adviser or an affiliate (including, but not limited to, a portfolio company of a Fund). When making such a recommendation, the Adviser, because of its financial or other business interest, has an incentive

to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

Additionally, former Adviser employees may also become employees, officers or directors of, or otherwise be engaged by, third-party service providers that provide services to the Adviser, the Funds and/or portfolio companies. While employed by the Adviser, the cost of the compensation, benefits and attributable overhead provided to these individuals are paid by the Adviser unless a Fund's Organizational Documents permit certain allocations of internal expenses to the Fund. If a former Adviser employee becomes an employee or consultant of a third party that also provides services to a Fund, such former Adviser employee may be assigned by such third party to provide services to that account. In such instance, the cost of the third-party service provider attributable to the former Adviser employee working on the Fund will be borne entirely by the Fund and no such amounts will reduce the Advisory Fee paid or the Incentive Compensation distributed by such Fund on the basis that such person used to be a former Adviser employee.

Additionally, employees of the Adviser or its affiliates, and/or their family members or relatives may have ownership, employment, or other economic or other interests in certain service providers. These relationships can influence the Adviser in determining whether to select or recommend such service provider to perform services for a Fund or a portfolio company. Although the Adviser selects service providers that it believes will enhance portfolio company performance (and, in turn, the performance of the relevant Fund(s)), there is a possibility that the Adviser, because of financial, business interest, or other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person.

Certain other service providers to the Adviser, the Funds, and/or the portfolio companies, or affiliates of such service providers, may also provide goods or services to or have business, personal, financial, or other relationships with the Adviser, its affiliates, or their respective portfolio companies. Such service providers (or their employees) may also source of investment opportunities, be co-investors, or commercial counterparties or entities in which the Adviser and/or the Funds have an investment, and payments by a Fund and/or such portfolio companies may indirectly benefit the Adviser and/or such Fund.

The Adviser, Operation Support Providers, the Funds, and the portfolio companies of the Funds will, from time to time, engage common service providers. In certain circumstances, the service provider may charge varying rates or engage in different arrangements for services provided to the Adviser, its personnel, the Funds, and/or the portfolio companies. As a result, the Adviser, or its personnel, from time to time, receives a more favorable rate on services provided to it by such a common service provider than those payable by the Funds and/or the portfolio company, or may receive a discount on services even though the Funds and/or the portfolio companies receive a lesser, or no, discount. This creates a conflict of interest between the Adviser and its personnel, on the one hand, and the Funds and/or portfolio companies, on the other hand, in determining whether to engage such service providers, including the possibility that the Adviser will favor the engagement or continued engagement of such persons if it, or its personnel, receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the Funds and/or the portfolio companies. Neither the Funds, nor investors in the Funds, will receive the benefit of any such favorable rate or discount provided to the Adviser,

its personnel, or its affiliates, and the Advisory Fee paid by any Fund will not be reduced in connection with such favorable rate or discount.

In addition, service providers often charge varying amounts or may have different fee arrangements for different types of services provided. For instance, fees for various types of work often depend on the complexity of the matter, the expertise required, and the time demands of the service provider. As a result, to the extent the services required by the Adviser or its affiliates differ from those required by the Funds and/or its portfolio companies, the Adviser and its affiliates will pay different rates and fees than those paid by the Funds and/or its portfolio companies.

The Adviser or its affiliates engage certain service providers (including law firms), strategic investors, and/or affiliates on behalf of the Funds and personnel of such service providers are, and may in the future be seconded to the Adviser or its affiliates on a temporary basis, pursuant to various arrangements including at cost or at no cost. The Adviser is, from time to time, a beneficiary of these arrangements as well. Such personnel may provide services in respect of multiple matters, including in respect of matters related to the Adviser, its affiliates, the Funds, and/or portfolio companies and in any such circumstance the benefits or costs of any such personnel will be allocated in the Adviser's discretion taking into consideration the usage of such personnel. In such circumstances, a conflict of interest exists because the Adviser, or its affiliates, have an incentive to select one service provider over another on the basis that the Adviser, or its affiliates, may receive the benefit of seconded employees from such service provider, particularly where the compensation and expenses for such personnel during the secondment is borne by the service provider and not the Adviser or its affiliates.

The Adviser and the Funds will generally engage common legal counsel and other service providers in a particular transaction, including a transaction in which there may be conflicts of interest. Members of the law firms engaged to represent the Funds may be investors in a Fund and may also represent one or more portfolio companies or investors in a Fund. In the event of a significant dispute or divergence of interest among the Funds, the Adviser, and/or its affiliates, the parties may engage separate counsel in the sole discretion of the Adviser and its affiliates, and in litigation and other circumstances separate representation may be required.

The Adviser from time to time expects to cause the Funds to bear the full cost and expense of engaging certain third-party service providers on behalf of a portfolio company. In the event a Fund is not the sole shareholder of the portfolio company, other shareholders will benefit from the costs incurred by such Fund and will not reimburse the Fund for their pro rata portion of the cost of any such service provider.

#### *Positions with Portfolio Companies*

Operations Support Providers serve as directors (or observers) on boards or consult for or have executive level positions with respect to, certain companies, including portfolio companies. While conflicts of interest may arise in the event that such Operations Support Provider's fiduciary duties as a director, executive, and/or consultant conflicts with those of the Fund, it is expected that the interests will be aligned. For instance, such positions could impair the ability of a Fund to sell the securities of an issuer in the event a director receives material non-public information by virtue of his or her role, which would have an adverse effect on the Fund. Furthermore, a person serving as

a director to a portfolio company owes a fiduciary duty to the portfolio company, on the one hand, and the relevant Fund, on the other hand, and such Operation Support Providers may be in a position where they must make a decision that is either not in the best interest of the Fund, or is not in the best interest of the portfolio company.

In addition, to the extent such a person serves in any capacity at more than one portfolio company (including portfolio companies that compete against one another), such Operations Support Provider and/or employees' fiduciary duties among the two (or more) portfolio companies may create a conflict of interest. In addition, Operations Support Providers have in the past, and may in the future, on occasion, leave the employment of the Adviser, or its affiliates, and become an officer or employee of a portfolio company, which will shift the burden of compensating such persons from the Adviser to the applicable portfolio companies, and any fees received by such persons as an employee of the portfolio company will not reduce the Advisory Fee.

Decisions made by an Operations Support Provider in their capacity as a director, officer, executive, and/or consultant at a company (including a portfolio company) may subject the Adviser, its affiliates, or the Fund(s) to claims they would not otherwise be subject to as an investor, including claims of breach of the duty of loyalty, breach of the duty of care, breach of confidentiality, securities claims, and other related claims. In general, the Funds will indemnify the Adviser and the relevant Operations Support Provider from such claims.

In addition, the Operations Support Provider serving as a director, officer, executive, and/or consultant may not recuse themselves from certain decisions, even in the event of a conflict of interest, and may make decisions for a portfolio company that negatively impacts returns received by the Fund(s) investing in the portfolio company.

From time to time, Operations Support Providers may also be asked to serve as directors (or observers), officers, executive, and/or consultants with respect to, certain entities in which a Fund has fully exited its ownership interest and/or following the termination of such Operations Support Provider employment with the Adviser. In such circumstances, any compensation or fees received by such former Operations Support Provider and/or employee and/or with respect to such exited investment is not subject to the Advisory Fee offset, or otherwise shared with the Funds and/or investors.

In addition, the Adviser may continue to receive other fees from a portfolio company after a Fund has fully exited its ownership interest (for instance, in respect of consulting arrangements or group purchasing arrangements). In such circumstances, any fees received with respect to such exited investment is not subject to an Advisory Fee offset, or otherwise shared with the Funds and/or investors.

In connection with co-investment opportunities, some co-investors (which may include one or more investors in the Funds) are often provided with the opportunity to serve on the board of directors or board of advisors of the applicable portfolio company. Positions on board of directors or board of advisors of such portfolio companies provide such co-investors with voting rights, access to information, and the ability to potentially influence the operations and decision-making of the portfolio company that are not available to other investors in the Funds. In certain cases, co-investors have contractual rights that require the approval of the co-investors for certain major

actions relating to the applicable portfolio company, such as a sale of the company or the issuance of additional equity by the company. Such rights may limit the ability of the Adviser to take actions with respect to the portfolio company that the Adviser considers to be in the best interests of the Funds.

#### *Side Letter Agreements; Advisory Committee Rights*

The Adviser may enter into certain side letter arrangements with certain investors in a Fund, generally providing such investors with different or preferential rights or terms, which may include, but is not limited to, different fee structures and other preferential economic rights, information and reporting rights, excuse or exclusion rights, waiver of certain confidentiality obligations, co-investment rights, certain rights or terms necessary in light of particular legal, regulatory, or policy requirements of a particular investor, additional obligations and restrictions with respect to structuring particular investments in light of the legal and regulatory considerations applicable to a particular investor, modification of representations, indemnification and/or liability and other obligations, veto rights, and liquidity or transfer rights. Except as otherwise agreed with an investor or as required by applicable law, the Adviser (or applicable General Partner) will not disclose the terms of side letter arrangements with other investors. Also, investors will have no recourse against a Fund, the applicable Fund's General Partner, the Adviser or their respective affiliates in the event that certain investors receive additional or different rights or terms pursuant to such side letters, some of which rights may impact the rights and/or increase the obligations of other investors. In addition, side letter arrangements with certain investors of the Funds impose additional restrictions on investing in certain types of assets, geographies or industries in order to meet certain legal, tax, regulatory, internal policy or other requirements of such investors. While these restrictions are intended to apply solely to such investors, they may ultimately restrict the investments made by an applicable Fund.

Some Funds have established an advisory committee, consisting of representatives of investors. A conflict of interest may exist when some, but not all, limited partners are permitted to designate a member to the advisory committee. The advisory committee may also have the ability to approve conflicts of interests with respect to the Adviser and the applicable Fund, which could be disadvantageous to the investors, including those investors who do not designate a member to the advisory committee. Representatives of the advisory committee may have various business and other relationships with the Adviser and its partners, employees and affiliates. These relationships may influence the decisions made by such members of the advisory committee.

In addition, members of one Fund's advisory committee may also be a member of another Fund's advisory committee. In such instances, a conflict of interest exists because the Funds on which such overlapping advisory committee members may have conflicting interests and such advisory committee members may be requested to provide their consent with respect to such conflicts of interest and will not recuse themselves from any such vote.

#### *Other Potential Conflicts*

The Organizational Documents of a Fund establish complex arrangements among the Funds, the Adviser, investors, and other relevant parties. From time to time, questions may arise regarding certain parties' rights and obligations in certain situations, some of which may not have been



contemplated upon the negotiation and execution of such documents. In some instances, the operative provisions of the Organizational Documents, if any, may be broad, unclear, general, conflicting, ambiguous, and vague and may allow for multiple reasonable interpretations. In other instances, there may not be a directly applicable provision. While the Adviser will construe the relevant provisions in good faith and in a manner consistent with its fiduciary duty and legal obligations, the interpretations used may not be the most favorable to a Fund or its investors.

The Adviser and Operation Support Providers have in the past, and may, from time to time in the future, receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of a Fund, including benefits and other discounts provided from service providers. For example, airline travel or hotel stays incurred as Fund expenses may result in “miles” or “points” or rebates or credit in loyalty/status programs to the Adviser and/or its personnel, and such benefits, rewards and/or amounts (whether or not *de minimis* or difficult to value), will exclusively benefit the Adviser, and/or such Operation Support Providers even though the cost of the underlying service is being borne by the Funds, its investors, and/or the portfolio companies. Any such benefits, rewards, and/or amounts will not be subject to the offset arrangements described above or otherwise shared with such Fund, its investors, and/or the portfolio companies. In addition, airline travel incurred as a Fund expense for Operation Support Providers travelling for appropriate Fund-related purposes (including, without limitation, travel related to a portfolio company, a prospective portfolio company, or other Fund-related matter) may benefit such Operation Support Providers to the extent the trip also serves a personal purpose.

The Adviser has in the past and may, in its discretion, in the future have, and may, in its discretion, cause the Funds and/or their portfolio companies to have, ongoing business dealings, arrangements, or agreements with persons who are former Operations Support Provider. The Funds and/or their portfolio companies may bear, directly or indirectly, the costs of such dealings, arrangements, or agreements. In such circumstances, there may be a conflict of interest between the Adviser and the Funds (or their portfolio companies) in determining whether to engage in or to continue such dealings, arrangements, or agreements, including the possibility that the Adviser may favor the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person.

Investors may be introduced to the Adviser, or may be brought in a Fund, by a third-party consultant from which the Adviser or an affiliate purchases products and to which the Adviser or a Related Person may make payments, including in connection with conferences sponsored or hosted by the third-party consultant.

The Funds may create a platform for acquiring companies in a particular industry for the purpose of creating synergies across, and adding value to, such companies (e.g., merging companies together to create economies of scale or running certain companies in a coordinated manner). In such instances, a holding company (“**Holding Company**”) may be created that would acquire and manage the companies in the platform. The investments in the Holding Company may be managed together (including, for example, the use of common service providers, combined and/or otherwise sold together as part of a single transaction or series of related transactions). The Holding Company could be staffed with personnel responsible for sourcing, acquiring, and managing companies for the Holding Company. In certain circumstances, such Holding Company employees may include former Operations Support Provider, or current or former senior advisors or consultants to the

Adviser and its affiliates. All of the Holding Company's costs and expenses, initial or ongoing and for any purpose, including compensation for its personnel (which compensation may include, among other things, salary, benefits, retainers and the granting of profit participation in certain investments of Holding Company and/or a capital interest in such investments or the underlying assets), overhead expenses (including, without limitation, rent, property taxes and utilities allocable to the workspaces) and all expenses related to sourcing would be borne by the Holding Company (and, therefore, indirectly borne by the Fund). Such costs and expenses would not offset the Advisory Fee and would be in addition to Advisory Fees and other compensation (e.g., Carried Interest) received by the Adviser. In addition, as the Adviser earns Advisory Fees and Carried Interest from the Fund, the Adviser would benefit from the assets, income, and gains of Holding Company.

The Adviser has in the past and may, from time to time in the future, cause one or more Funds to purchase, and/or bear premiums, fees, costs, and expenses (including any expenses or fees of insurance brokers) for insurance to insure the applicable Funds, the applicable General Partner, the Adviser, and/or their respective directors, officers, employees, agents, representatives, members of the advisory committee, and other indemnified parties, against liability in connection with the activities of the Funds. This may include a portion of any premiums, fees, costs, and expenses for one or more "umbrella" or other insurance policies maintained by the Adviser that cover one or more Funds and/or the Adviser (including their respective directors, officers, employees, agents, representatives, members of the advisory committee, and other indemnified parties). The Adviser will make judgments about the allocation of premiums, fees, costs, and expenses for such "umbrella" or other insurance policies among one or more Funds, and/or the Adviser on a fair and reasonable basis, and may make corrective allocations should it determine subsequently that such corrections are necessary or advisable. There can be no assurance that a different allocation would not result in a Fund bearing less (or more) premiums, fees, costs and expenses for insurance policies.

The General Partner may elect to withhold certain information to such limited partners for reasons relating to the General Partner's public reputation or overall business strategy, despite the potential benefits to such limited partners of receiving such information.

Please see the discussion above under the sub-heading "Resolution of Conflicts" for a description of the means by which the Adviser and its related persons may seek to alleviate conflicts of interest among the Funds or other persons.

## **Item 12. Brokerage Practices**

The Funds make venture capital investments and a portion or all of a Fund's portfolio will be invested in publicly traded securities. To meet its fiduciary duties to the Funds, the Adviser has adopted written policies to address issues that might arise with respect to purchasing, holding, and selling publicly traded securities.

### **Selection of Brokers and Dealers**

For each of the Funds, the Adviser has, subject to the direction of such Fund's General Partner, if applicable, sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker or dealer, if any, to be used to effect transactions. In placing each transaction for a Fund involving a broker-dealer, the Adviser will seek "best execution" of the transaction. "Best execution" generally means obtaining for a Fund account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputability and reliability of the executing broker or dealer. Best execution is not limited solely to the consideration of the best available commission rate. In seeking "best execution", the Adviser considers the full range and quality of a broker-dealer's services including, among other things, the value of services provided as well as execution capability, commission rate, financial responsibility, and responsiveness. The determinative factor for "best execution" is not necessarily the lowest possible commission cost but whether the transaction represents the best qualitative execution for the respective Fund as in many cases the securities transactions are conducted through the use of 10b-5 plans or block trades with volume limitations through the use of a single executing broker seeking the best price execution within the trading limitations directed under the respective 10b-5 plan or block trade.

Best execution is not limited solely to the consideration of the best available commission rate. In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, the Adviser takes into account all factors that it deems relevant to the broker's or dealer's execution capability, including, by way of illustration, price, the size of the transaction, the nature of the market for the security, the amount of the commission, the timing of the transaction taking into account market prices and trends, the reputation, experience and financial stability of the broker or dealer, and the quality of service rendered by the broker or dealer in other transactions. In addition, the Adviser may consider the use of Electronic Communications Networks when placing trades on behalf of the Funds. When purchasing or selling over-the-counter securities with market makers, the Adviser generally seeks to select market makers it believes to be actively and effectively trading the security being purchased or sold.

In order to monitor best execution, the Adviser's Chief Compliance Officer with the assistance of certain designees, will periodically monitor broker-dealers to assess the quality of execution of brokerage transactions effected on behalf of the Adviser and each Fund.

The Adviser does not currently participate in soft dollar arrangements whereby it receives research or other products or services explicitly in exchange for placing a certain level of transactions with a particular broker-dealer. However, the Adviser could participate in soft dollar arrangements in the future and currently has access to research reports and opportunities to meet with management

from broker-dealers that provide services to the Funds. This access to research and company management falls within the safe harbor created by Section 28(e) of the Exchange Act.

To the extent that the Adviser utilizes broker commissions to obtain research products and services that would otherwise be an expense of the Adviser, such use of commissions could be viewed as additional compensation to the Adviser, and the Adviser will receive a benefit because it does not have to produce or pay for such research or other products or services. If the Adviser receives such products or services, it has an incentive to select and recommend, and to use and continue to use, such brokers and dealers to effect transactions for the Funds so long as such brokers and dealers continue to provide soft dollar credits to the Adviser, rather than based on the Funds' interest in receiving most favorable execution of their securities transactions. As a result, the Adviser may cause the Funds to pay commissions (or markups or markdowns) higher than those charged by other brokers and dealers, or to accept lower prices for the sale of securities, in return for soft dollar benefits (known as paying-up), and the Adviser is authorized to do so if it determines that such commissions (or markups or markdowns) are reasonable in relation to the overall services provided.

On behalf of the Funds, the Adviser utilizes the services of an independent third party for outsourced trading. Costs associated with the outsourced trading are borne directly by each Fund based on each Fund's actual level of trading executed by the outsourced trading provider. The Adviser views the outsourced trading services provided as beneficial to each Fund with respect to the additional trading costs directly incurred by the Fund.

### **Directed Brokerage**

The Adviser does not recommend, request, or require that Funds direct the Adviser to execute transactions through a particular broker-dealer and currently there are no directed brokerage arrangements with respect to any client account.

### **Restrictions on Trading**

The Adviser may come into possession of material nonpublic information on the basis of which it cannot trade. If so, the Adviser will be restricted from trading a security on behalf of a Fund. As a result, the Adviser could be prevented from buying or selling securities on behalf of the Funds when the Adviser would otherwise do so. This could have material adverse consequences for the Funds.

### **Aggregation of Trades**

The Adviser may aggregate (or bunch) the orders of more than one Fund for the purchase or sale of the same publicly traded security. The Adviser often employs this practice because larger transactions may enable them to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. The Adviser may combine orders on behalf of Funds with orders for other Funds for which it, or its affiliates, have trading authority, or in which it, or its affiliates, have an economic interest. In such cases, the Adviser and its affiliates generally aggregate trade orders for publicly traded securities so that each participating Fund will receive the average price for each execution of a transaction.

If an order for more than one Fund for a publicly traded security cannot be fully executed, the Adviser allocates among Fund's based on relative order size. This generally results in allocations that are in proportion to relative size of the Funds or the target investment size as described further in Item 11 above. The Adviser in allocating among accounts also considers other relevant factors, such as capital flows and investment strategy, with the result that some orders will not be in proportion to relative asset or investment size. In addition, there will be differences in timing of entry into, or timing and percentages in an exit from, an investment for reasons such as differences in strategy, existing portfolio, position exposure, or liquidity needs. Investments disposed of at different times will likely be disposed of at different valuations and, as a result, Funds in those instances will realize different returns as compared to the same investment held by another Fund.

## **Item 13. Review of Accounts**

### **Oversight and Monitoring**

The investment portfolios of the Funds contain private, public, or a combination of private and public securities. The private securities held by the Funds are generally illiquid and long-term in nature, and accordingly the Adviser's review of them is not directed toward a short-term decision to dispose of securities. However, the Adviser closely monitors the portfolio companies of the Funds and generally maintains an ongoing oversight position in such portfolio companies. The Adviser periodically reviews its entire portfolio of investments. The team generally includes managing directors and other investment professionals of the Adviser.

The investments in publicly traded securities are reviewed by a team of investment professionals on a regular basis. Fund account records are reviewed on an ongoing basis to support trading activity and compliance with a Fund's policies and procedures.

### **Reporting**

Investors in the Funds typically receive, among other things, a copy of audited financial statements of the relevant Fund after the fiscal year end of such Fund, as well as either monthly or quarterly performance reports after each Fund's respective interim reporting period. The Adviser and the applicable General Partner, if any, will from time to time, in their sole discretion, provide additional information relating to such Fund to one or more investors in such Fund as they deem appropriate.

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

For details regarding economic benefits provided to the Adviser by non-clients, including a description of related material conflicts of interest and how they are addressed, please see Item 11 above.

The Adviser does not engage in client solicitation arrangement. The Adviser has in the past, and may from time to time in the future, engage one or more persons to act as a placement agent for a Fund in connection with the offer and sale of interests to certain potential investors. Such persons generally will receive a fee in an amount equal to a percentage of the capital commitments for interests made by such potential investors to such Fund that are subsequently accepted.

**Item 15. Custody**

The Adviser is deemed to have custody of certain Funds' assets by virtue of its status as the investment manager to the Funds and each General Partner's status as the general partner of the Funds. Each Fund's assets are generally maintained in accounts with "qualified custodians," as defined in Rule 206(4)-2 under the Advisers Act. Each Fund (or its' administrator expects to provide its investors with audited financials for the applicable Fund within one hundred twenty (120) days of such Fund's fiscal year end (i.e., generally by April 30th). Investors should carefully review such audited financials.



**Item 16. Investment Discretion**

Investment advice is provided directly to the Funds, subject to the direction and control of the General Partner or the board of directors of each Fund and not individually to the investors in the Funds. Services are provided to the Funds in accordance with the Advisory Agreements with the Funds and/or Organizational Documents of the applicable Fund. Investment restrictions for the Funds, if any, are generally established in the Organizational Documents of the applicable Fund.

## **Item 17. Voting Client Securities**

The Adviser has established written policies and procedures setting forth the principles and procedures by which the Adviser votes or gives consent with respect to securities owned by the Funds (“**Votes**”). The guiding principle by which the Adviser votes all Votes is to vote in the best interests of each Fund by maximizing the economic value of the relevant Fund’s holdings, taking into account the relevant Fund’s investment horizon, the contractual obligations under the relevant Advisory Agreements or comparable documents, and any other relevant facts and circumstances the Adviser determines to be appropriate at the time of the vote. The Adviser does not permit Voting decisions to be influenced in any manner that is contrary to, or dilutive of, this guiding principle.

It is the Adviser’s general policy to vote or give consent on all matters presented to security holders in any Vote. However, the Adviser reserves the right to abstain on any particular Vote or otherwise withhold its vote or consent on any matter if, in the judgment of the Adviser’s Chief Compliance Officer or the relevant Adviser investment professional, the costs associated with voting such Vote outweigh the benefits to the relevant Funds or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of the relevant Funds.

Funds generally cannot direct the Adviser’s Vote.

All Voting decisions initially are referred to the appropriate investment professional for a voting decision. In most cases, the investment professional covering the particular investment will make the decision as to the appropriate vote for any particular Vote. In making such decision, he or she may rely on any of the information and/or research available to him or her. If the investment professional is making the Voting decision, the investment professional will inform the Chief Compliance Officer, or his designee of any such Voting decision, and if the Chief Compliance Officer, or his designee does not object to such decision as a result of his or her conflict of interest review, the Vote will be voted in such manner. If the investment professional and the Chief Compliance Officer are unable to arrive at an agreement as to how to vote, then the Chief Compliance Officer may consult with the managing directors as to the appropriate vote, who will then review the issues and arrive at a decision based on the overriding principle of seeking the maximization of the economic value of the relevant Funds’ holdings.

The Adviser’s Chief Compliance Officer, or his designee has the responsibility to monitor Votes for any conflicts of interest, regardless of whether they are actual or perceived. Some Voting decisions may require a conflicts of interest review by the Adviser’s Chief Compliance Officer in accordance with these policies and procedures, which will include consideration of whether the Adviser or any investment professional or other person recommending how to vote and/or the Adviser’s affiliates and their clients has an interest in how the Vote is voted that may present a conflict of interest. In addition, all Adviser investment professionals are expected to perform their tasks relating to the voting of Votes in accordance with the principles set forth above, according the first priority to the best interest of the relevant Funds. The Adviser’s Chief Compliance Officer will use his best judgment to address any such conflict of interest and ensure that it is resolved in accordance with his or her independent assessment of the best interests of the Funds.

Where the Adviser's Chief Compliance Officer deems appropriate in his or her sole discretion, unaffiliated third parties may be used to help resolve conflicts. In this regard, the Adviser's Chief Compliance Officer shall have the power to retain independent fiduciaries, consultants, or professionals to assist with Voting decisions and/or to delegate voting or consent powers to such fiduciaries, consultants or professionals.

Copies of relevant proxy logs, identifying how proxies were voted in connection with a Fund and copies of proxy voting policies are available to any client or prospective client upon written request to: **Brendan Furey, Chief Compliance Officer at (617) 425-9200.**

**Item 18. Financial Information**

The Adviser does not require prepayment of Advisory Fees more than six months in advance.

The Adviser is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

The Adviser has never been the subject of any bankruptcy petition.

**Item 19. Requirements for State-Registered Advisers**

Item 19 is not applicable to the Adviser.