

**Part 2A of Form ADV Brochure**

**Enhanced Healthcare Management Company, LLC**

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**March 8, 2024**

This Brochure provides information about the qualifications and business practices of Enhanced Healthcare Management Company, LLC and its related persons (referred to in this filing collectively as “EHMC”). If you have any questions about the contents of this Brochure, please contact Ms. Victoria Konfong, Chief Compliance Officer, at (929) 242-5196. 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.

EHMC is an investment adviser registered with the SEC under the Investment Advisers Act of 1940 (the “Advisers Act”). Registration of an investment adviser does not imply any level of skill or training.

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

## **Item 2 – Material Changes**

No material changes have been made since the annual amendment of our Brochure on March 31, 2023.

Our Brochure was amended on June 27, 2023, to reflect an internal restructuring at EHMC that has not changed, and will not change, the way in which client assets are managed. The brochure was amended on May 4, 2023, to reflect the name of change Enhanced Management Company, LLC to Enhanced Healthcare Management Company, LLC.

Our Brochure may be requested by contacting Ms. Victoria Konfong, Chief Compliance Officer, at (929) 242-5196.

Additional information about EHMC, including a copy of our brochure, is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with an adviser who are registered, or are required to be registered, as investment adviser representatives.

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#### **Item 4 – Advisory Business**

EHMC is a Delaware limited liability company and a registered investment adviser that provides advisory services to a portfolio of private equity funds and special purpose vehicles (collectively the “Funds”). EHMC is led by Malcolm Kostuchenko, Matthew Thompson and Samarth Chandra.

EHMC is a thematic, mission oriented lower middle market private equity firm that seeks to build successful and innovative companies that create a positive change in the U.S. healthcare system. The firm provides equity capital for recapitalizations, and growth investments to companies across three healthcare sectors: provider-based services, healthcare IT, and pharma services. As of December 31, 2023, EHMC had discretionary assets under management of \$1,181,620,599.

EHMC focuses primarily on healthcare services companies that do not require extensive capital expenditures and generate strong free cash flow. The Funds are often the first round of institutional equity investment in their portfolio companies, providing capital to smaller family or founder owned-and-operated businesses that require the capital and experience of an institutional investor to maximize their growth potential and transform their businesses into market leaders. EHMC believes that the healthcare industry offers attractive investment opportunities that are well suited to EHMC’s investment strategy due to the industry’s size, growth prospects, non-cyclical nature, high degree of fragmentation and attractive long-term demographic trends.

The Funds make control investments in, or minority investments where it will have significant influence over the governance and strategic direction of, healthcare companies that generate typically less than \$100 million in annual revenues. The Funds traditionally have invested on average between \$10 million to \$75 million in each portfolio company. In addition to the Funds’ buy and build investment strategy, the Funds may also make growth equity investments (where the Fund seeks to grow a portfolio company primarily by means of cash investment).

EHMC will also selectively consider other types of equity-oriented transactions, including situations where EHMC has a resource. Typically, our Funds seek liquidity for each investment within 5 years of initial investment.

## **Nature of Our Asset Management Clients**

EHMC generally provides investment management and administrative services to the Funds, which are U.S. investment LPs and special purpose vehicles organized as LLCs that are not registered or required to be registered under the U.S. Investment Company Act of 1940 (the “Investment Company Act”). The securities of the Funds are not, and are not required to be, registered under the U.S. Securities Act of 1933 (the “Securities Act”).

Investors in the Funds participate in the overall investment program for the applicable Fund but may be excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the relevant Fund’s LP or LLC agreement. The Funds or their general partners have entered into side letters or other similar agreements with certain investors that have the effect of establishing rights (including economic or other terms) under, or altering or supplementing, the terms of the relevant Fund’s LP or LLC agreement with respect to such investors.

Additionally, from time to time and as permitted by the relevant Funds’ LP or LLC agreements, EHMC expects to provide (or agree to provide) co-investment opportunities (including the opportunity to participate in co-invest vehicles) to certain investors or other persons, including other sponsors, market participants, consultants and other service providers, EHMC’s personnel and/or certain other persons associated with EHMC and/or its affiliates (*e.g.*, a vehicle formed by EHMC to co-invest alongside a particular Fund’s transactions). Such co-investments typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Fund making the investment.

## **Item 5 – Fees and Compensation**

### **General Information Regarding Fees**

EHMC receives management fees in connection with the investment management and administrative services it provides to certain Funds and also receives carried interest allocations. Not all Funds pay management fees to EHMC.

### **Management Fees**

For Funds that pay management fees, EHMC will generally receive a management fee through the end of the investment period, equal to 1.75% or 1% of investor commitments or invested capital, as established in the Funds’ investment management agreements. Thereafter, the management fee will generally equal 1.75% or 1% of investors’ funded commitments that remain invested in portfolio companies (excluding write-offs and net write-downs). The management fee is payable quarterly in advance. The management fees is subject to reduction by a portion of certain fees paid, as defined in each Fund’s investment management agreement, to EHMC and/or certain other affiliates by or on behalf of the Fund’s portfolio companies.

## **Performance-Related Compensation**

EHMC generally receives carried interest allocations from the Funds of up to 20% of realized profits generated from portfolio investments. Such performance-related compensation may be subject to hurdles and claw-backs. The LP or LLC agreement of each Fund contains the method by which the performance-related compensation is calculated. Carried interest distributions paid to EHMC are calculated in compliance with Rule 205-3 under the Advisers Act unless not required to be so calculated.

## **Other Compensation**

EHMC earns monitoring fees, transaction fees and other compensation from portfolio companies, purchasers, sellers, and other parties to transactions involving Fund portfolio companies as compensation for services. Such services include advice on structuring, negotiating and arranging financing for transactions in which the Funds participate. Fees are also earned in connection with unconsummated investment transactions. The principals and other employees of EHMC and its affiliates serve on the board of directors of the portfolio companies and receive board of director fees.

As described in the applicable Fund's investment management agreement, this compensation in many cases is paid in cash or in consideration other than cash to the investors of the applicable Fund. Each Fund's investment management agreement outlines the method and calculation of the fee offsets.

It is EHMC's practice to retain certain advisors to provide healthcare industry consulting services and to retain operating partners to provide services to certain portfolio companies in which one or more Funds invest. Such advisors and operating partners generally receive compensation and other amounts described herein, but no such amounts will offset the management fees payable by a Fund.

## **Other Expenses**

Certain expenses are borne by the Funds as stipulated in each Fund's LP or LLC agreement. Such expenses include legal, accounting, tax, consulting, research and/or due diligence, as well as expenses incurred with respect to investment transactions not consummated (to the extent that such expenses are not reimbursed by companies in which the Fund invests or proposes to invest), as well as custody fees and expenses of the Fund's advisory committee, among others. Current investors are referred to their LP or LLC agreements for a complete description of all expenses that may be incurred by a Fund.

EHMC pays all normal operating expenses such as: compensation and benefits of EHMC officers, directors and employees; rent, utilities, insurance (other than premiums for insurance covering indemnified parties), office supplies, office equipment, travel, entertainment; and other normal operating expenses that relate to the services provided to the Funds.

EHMC is permitted to exempt certain Funds and certain investors in the Funds from payment of all or a portion of management fees and/or carried interest, including EHMC and any other person designated by EHMC. Any such exemption from fees and/or carried interest will be made by a direct

exemption, a rebate by EHMC, or through other Funds which co-invest with a Fund. For example, in instances where an EHMC professional (or an affiliate thereof) invests in a Fund, such professional (or such affiliate) generally will be exempt from payment of the management fee and carried interest with respect to such Fund. Additionally, to the extent permitted by the relevant LP or LLC agreement, EHMC has the right to permit investors, affiliated with EHMC or otherwise, to invest through a vehicle that does not bear management fees or carried interest.

As described above, in certain circumstances, EHMC is expected to permit certain investors to co-invest in portfolio companies alongside one or more Funds, subject to EHMC's related policies and the relevant LP or LLC agreement(s) and/or side letter(s). Where a co-invest vehicle is formed, it generally will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds.

### **Advisors and Operating Partners**

Additionally, as further described herein and in the applicable private placement memorandum or other offering document and/or LP or LLC agreement of each Fund, it is EHMC's practice to engage certain expert advisors to consult on the healthcare industry and to retain certain operating partners to provide services to (or with respect to) one or more Funds or certain current or prospective portfolio companies in which one or more Funds invest. Such advisors generally provide consulting services in relation to regulatory, policy, business, and economic matters affecting the healthcare industry. Such operating partners generally provide services in relation to the identification, acquisition, holding, improvement and disposition of portfolio companies, including operational aspects of such companies. In certain circumstances, advisors and operating partners also serve in management or policy-making positions for portfolio companies. Advisors and operating partners receive compensation, including, but not limited to cash fees, retainers, transaction fees, a profits or equity interest in a portfolio company, profits or equity interests in one or more Funds or their general partners, remuneration from EHMC and/or the Funds or other compensation, which typically are determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of such advisors or operating partners, 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 company. No such compensation is transaction or asset based. Advisors and operating partners also generally will be reimbursed for certain travel and other costs in connection with their services. As described above, no such amounts will offset the management fee. The use of advisors and operating partners subjects EHMC to conflicts of interest.

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

As discussed under Item 5 above, the general partner of each Fund, in each case an affiliate of EHMC, may receive carried interest allocations (performance-based allocations) from the Fund. Carried interest arrangements are subject to Section 205(a)(1) of, and Rule 205-3 under, the Advisers Act. Carried interest arrangements create an incentive for EHMC to invest in riskier or more speculative instruments, although the substantial investment made by EHMC's principals in the Funds and the existence of a claw-back provision is designed to substantially reduce any such incentive.

## **Co-Investments**

Certain members, partners, employees, and affiliates of the general partner of a Fund and EHMC itself co-invest directly through one or more partnerships or other investment vehicles organized by them for their own account, in respect of all portfolio investments made by and on a proportionate basis with the Fund(s) based on an aggregate notional commitment as stipulated in each applicable Fund agreement. All such co-investments will be made at the same time and on the same terms and conditions as are applicable to the Funds and will be divested as and when the Funds do so and on the same terms and conditions. EHMC does not receive any fees as the result of a parallel investment fund or relationship.

## **Item 7 – Types of Clients**

EHMC provides investment advisory services directly to each Fund, subject to the direction and control of the Fund's general partner, and not individually to the investors of the Fund. Investments in the Funds are generally only available to institutional investors and certain high net worth investors that are "accredited investors" and "qualified purchasers" within the meaning of the Securities Act and the Investment Company Act, respectively, or meet other requirements of these laws.

Each Fund has a specified minimum investment as set forth in its offering documents, LP or LLC agreement, or other governing document. Such minimums are typically subject to discretion, on the part of the Fund's general partner, to permit investment of a smaller amount with respect to any investor in the Fund.

The Funds are investment vehicles formed under domestic laws and operated as exempt investment pools under the Investment Company Act. Investors participating in the Funds include individuals, banks or thrift institutions, other investment vehicles, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and include, directly or indirectly, principals and other employees of EHMC and its affiliates.

The investors in the Funds are generally U.S. and non-U.S. institutional investors such as governmental and corporate pension and profit-sharing plans, sovereign wealth funds, and certain other high net worth individuals and include, directly or indirectly, principals and other employees of EHMC and its affiliates. The Funds do not currently have any investors covered by the Employee Retirement Income Security Act of 1974 ("ERISA") but may accept ERISA-covered investors in the future.

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

### **Method of Analysis and Sources of Information**

EHMC seeks to source investments on a proprietary basis, buy leading growth-oriented businesses at attractive valuations, and build these businesses into market leaders through a combination of expansion acquisitions and organic growth strategies.



## Strategy

The Funds follow a buy-and-build and growth equity investment strategy. EHMC also selectively considers other types of equity-oriented transactions, including situations in which a Fund backs a highly-successful executive in creating a market opportunity and special situations. In every type of transaction, the Funds endeavor to leverage EHMC's industry knowledge, track record and network of industry contacts and relationships to make acquisitions at attractive prices while using conservative amounts of financial leverage and seek to enhance shareholder value post-closing through organic growth strategies and add-on acquisitions. As a result of EHMC's focus on long-term growth, its portfolio companies often make significant investments in management, infrastructure and operations in the early years of the firm's involvement. These efforts help to position portfolio companies for future growth and value creation as they transform from smaller businesses into market leaders.

The key components of EHMC's investment strategy consist of the following:

*Experienced Healthcare Investment Team* - The principals and investment professionals of EHMC have significant investing and financial advisory experience and collectively have an extensive array of contacts in the healthcare industry.

*Healthcare Industry Focus* - EHMC has an industry focused approach to investing. EHMC believes that this specialized approach, in an industry such as healthcare that has attractive investment dynamics, significantly increases potential for enhanced return on investment.

*Lower Middle Market Focus* - EHMC believes that the lower middle market presents a strong attractive deal flow of attractive investment opportunities to an experienced healthcare investor such as EHMC. Among other things, there are a number of small healthcare companies owned by families and founders that are looking to grow their businesses and are attracted to the experience, history of value creation and industry contacts that EHMC brings to the table.

*Proprietary Deal Flow* - EHMC's industry specialization and relationships supply it with a significant volume of proprietary deal flow and produce high quality investment opportunities. EHMC avoids highly competitive auctions and seeks to create investment opportunities through industry relationships and proprietary networks.

*Disciplined Investment Approach* - EHMC structures investments to enhance risk adjusted returns. EHMC structures investments to suit particular situations, taking into account, among other things, the risk profile of the company and its ongoing anticipated capital requirements.

*Post-Closing Value Creation* - In order to be a most effective value added partner, EHMC invests in majority ownership positions or minority ownership positions where it has significant influence over, and governance rights with respect to, its portfolio companies.

High quality portfolio company management is the key to creating successful companies and creating long term value for investors. EHMC has significant relationships with key leading healthcare management executives. Many of these executives have worked with the principals and investment professionals of EHMC for many years operating significantly larger enterprises and have successful track records of building companies in high growth situations. The EHMC team and

its operating partners work closely with portfolio company management teams in setting corporate direction, developing internal growth strategies, identifying and assisting in closing add-on acquisitions, augmenting management and company investments. EHMC also has a patient approach to value creation. The Funds average holding period of a portfolio company is five years.

*Substantial Commitment by the EHMC Principals* – EHMC’s principals invest a substantial amount of their personal wealth alongside or through the Funds. This significant commitment demonstrates the principals’ confidence in the implementation and execution of its investment strategy and helps align the principals’ interests with those of the Funds and their investors.

*Responsible Investment (RI) Policy and an ESG Investment Process* – EHMC recognizes the importance of environmental, social, and governance (“ESG”) issues as they pertain to the performance of the investments made for the Funds. Therefore, the consideration of material ESG impacts on existing and potential Fund portfolio companies is an integral part of a responsible investment approach for the firm. EHMC was founded on a mission of investing in growth-oriented businesses that drive positive change within our U.S. healthcare system. We believe this mission is supported by effective ESG standards and have taken steps to address these within our firm and across our portfolio of investments. Our focus on ESG considerations and our Enhanced Health Code are the key components of EHMC’s Responsible Investment (“RI”) Policy. EHMC adopted its RI Policy and ESG Investment Process in 2021.

As a healthcare-focused private equity firm, EHMC is particularly cognizant of its impact on the healthcare ecosystem in the United States. EHMC seeks to invest in companies that it believes have the potential to be true agents of positive change in the U.S. healthcare system. Our Enhanced Health Code identifies five drivers of positive change

- Lowering Cost of Care
- Promoting Access to Care
- Focusing on Vulnerable Populations
- Improving Patient Outcomes
- Creating Efficiency in the System.

This list, including the number of drivers, is subject to amendment as EHMC evaluates the program and identifies new opportunities to promote positive change.

The ESG Investment Process also entails the tracking of ESG data and performance tracking using the Conservice ESG Index, a software platform provided by the firm’s ESG consultant, Conservice ESG (“Conservice”) to identify current portfolio companies’ efforts and progress related to relevant ESG issues, and to gain insight into any related risks and opportunities. EHMC uses the Conservice ESG Index to assess five holdings per year on a multiple year rotational basis. Conservice is responsible for developing, distributing, and collecting the Conservice ESG Index data from the five portfolio companies that are assessed annually. The Conservice ESG Index considers, but does not wholly include, the industry-specific financial disclosures for each of the five companies recommended by the Sustainability Accounting Standards Board.

## **Advisors and Operating Partners**

Advisors and operating partners play a critical role in EHMC's investment and value-creation activities. They are seasoned and successful industry executives, who, in most cases, are individuals that EHMC's principals have worked with in the past and who have strong specific industry expertise and relationships. EHMC traditionally puts an operating partner in place for each of the Funds' portfolio companies.

Advisors provide consulting services to EHMC and portfolio companies regarding regulatory, policy, business, and economic matters affecting the healthcare industry. Operating partners work directly with portfolio company senior management to set corporate direction and develop acquisition and internal growth strategies, expand operating initiatives and recruit additional management. Typically, an operating partner will serve as an active member of a portfolio company's board of directors (along with one or two of EHMC's principals). In certain instances, an operating partner will become a member of a portfolio company's senior management team.

Advisors are independent contractors of EHMC, while operating partners may be employees or independent contractors of EHMC. As noted above, any compensation or other amounts received by advisors or operating partners will not offset the management fee payable by any Fund.

## **Types of Investments**

Please refer to Item 4 above for a description of investments.

## **Risk Factors**

The general partner of each Fund seeks investment opportunities that have the potential to offer the possibility of attaining substantial capital appreciation. Certain events particular to the industry in which the Fund's investments conduct their operations, as well as general economic and political conditions, may have a significant negative impact on the operations, profitability, and/or fair value of the Fund's investments. A Fund's ability to liquidate investments and realize value is subject to uncertainties. Certain of the risks involved with EHMC's investment strategy and an investment in the Fund include, but are not limited to, those noted below. Current investors should refer to their Fund's offering documents for a more fulsome list and description of risks associated with investing in the Fund.

*Business Risks.* A Fund's investment portfolio is expected to consist primarily of securities issued by non-public companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk which can result in substantial losses.

*Concentration of Investments.* Each Fund is expected to participate in a limited number of investments (and may seek to make several investments in one industry or one industry segment or within a short period of time) and, as a consequence, the aggregate return of a Fund may be materially affected by the performance of a single investment or a single industry segment.

*Lack of Sufficient Investment Opportunities.* It is possible that a Fund will never be fully invested if enough sufficiently attractive investments are not identified. The business of identifying, structuring and completing private equity transactions is highly competitive and

involves a high degree of uncertainty. However, for Funds that pay management fees, the investors will be required to bear management fees through such Fund during the commitment period based on the entire amount of the investors' commitments to such Fund and other expenses as set forth in the relevant LP or LLC agreement.

*Dynamic Investment Strategy.* While EHMC generally intends to seek attractive returns for a Fund through the investment strategy and methods described herein, EHMC may pursue additional investment strategies and may modify or depart from its initial investment strategy, investment process or investment techniques to the extent it determines such modification or departure to be appropriate and consistent with the relevant LP or LLC agreement(s).

*Growth Equity Transactions.* A Fund may make growth-equity investments. While growth-equity investments offer the opportunity for significant capital gains, such investments may involve a higher degree of business and financial risk that can result in substantial or total loss. Growth-equity portfolio companies may operate at a loss or with substantial variations in operating results from period to period, and many will need substantial additional capital to support additional research and development activities or expansion, to achieve or maintain a competitive position, and/or to expand or develop management resources. Growth-equity portfolio companies may face intense competition, including from companies with greater financial resources, better brand recognition, more extensive development, marketing and service capabilities and a larger number of qualified managerial and technical personnel.

*RI and ESG Investing Risk.* EHMC's adherence to its RI Policy and consideration of ESG factors and alongside financial factors could cause a Fund to make, not make or exit an investment. This could negatively affect the Fund's performance, including in comparison to similar funds and/or strategies managed by other advisers that do not follow an RI Policy or consider any ESG factors or that do follow such a policy or consider such factors but make different investment decisions than EHMC.

*Illiquidity; Lack of Current Distributions.* An investment in a Fund should be viewed as an illiquid investment. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is generally expected that this will not occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating a Fund (including any management fee payable to EHMC) may exceed its income, thereby requiring that the difference be paid from the Fund's capital, including unfunded commitments.

*Leveraged Investments.* A Fund may make use of leverage by incurring or having a portfolio company incur debt to finance a portion of its investment in such portfolio company. Leverage generally magnifies both such Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the

broader credit markets (and such credit markets may be impacted by regulatory restrictions and guidelines), which state is difficult to accurately forecast, and at times it may be difficult to obtain or maintain the desired degree of leverage. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of portfolio companies will increase the exposure of a Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of such Fund's investments in the leveraged portfolio companies in a down market. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, a Fund may suffer a partial or total loss of capital invested in the portfolio company, which could adversely affect the returns of such Fund. Furthermore, should the credit markets be limited or costly at the time the Fund determines that it is desirable to sell all or a part of a portfolio company, the Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Furthermore, the companies in which a Fund invests generally will not be rated by a credit rating agency. A Fund may also borrow money or guaranty indebtedness (such as a guaranty of a portfolio company's debt) or otherwise be liable therefor, and in such situations, it is not expected that such Fund would be compensated for providing such guarantee or exposure to such liability. The use of leverage by a Fund also will result in interest expense and other costs to such Fund that may not be covered by distributions made to such Fund or appreciation of its investments. A Fund may incur leverage on a joint and several basis with one or more other Funds and/or other investment vehicles managed by EHMC and may have a right of contribution, subrogation or reimbursement from or against such entities. In addition, to the extent a Fund incurs leverage (or provides such guaranties), such amounts may be secured by capital commitments made by such Fund's investors and such investors' contributions may be required to be made directly to the lenders instead of such Fund.

*Distressed Investments.* A Fund may invest in the securities and obligations, including debt obligations that are in covenant or payment default, of companies experiencing significant financial difficulties and material operating issues, including companies that may have been, are or will become involved in bankruptcy proceedings or other restructuring, recapitalization or liquidation processes. Investments in such companies involve a substantial degree of risk that is generally higher than the risk involved in investing in companies that are not in financial or operational distress. Given the heightened difficulty of the financial analysis required to evaluate distressed companies, there can be no assurance that EHMC will correctly evaluate the value of the assets of a distressed company securing its debt and other obligations or correctly project the prospects for the successful restructuring, recapitalization or liquidation of such company. Therefore, in the event that a portfolio company does become involved in bankruptcy proceedings or a restructuring, recapitalization or liquidation is required, a Fund may lose some or all of its investment or may be required to accept illiquid securities with rights that are materially different than the original securities in which such Fund invested.

*Uncertain Economic, Social and Political Environment.* Consumer, corporate and financial confidence may be adversely affected by current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global health and financial crises or other sources of political, social or economic unrest. Such erosion of confidence may lead to or extend a localized or global economic downturn. A climate of uncertainty may reduce the availability of

potential investment opportunities, and increases the difficulty of modeling market conditions, potentially reducing the accuracy of financial projections. In addition, limited availability of credit for consumers, homeowners and businesses, including credit used to acquire businesses, in an uncertain environment or economic downturn may have an adverse effect on the economy generally and on the ability of a Fund and its portfolio companies to execute their respective strategies and to receive an attractive multiple of earnings on the disposition of businesses. This may slow the rate of future investments by such Fund and result in longer holding periods for investments. Furthermore, such uncertainty or general economic downturn may have an adverse effect upon such Fund's portfolio companies.

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

*Need for Follow-On Investments.* Following its initial investment in a given portfolio company, EHMC may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a portfolio company, whether for opportunistic reasons, to fund the needs of the business, as an equity cure under applicable debt documents or for other reasons. There is no assurance that any Fund will make add-on investments or that any Fund will have sufficient funds to make all or any of such investments. Any decision by a Fund not to make add-on investments or its inability to make such investments may have a substantial negative impact on a portfolio company in need of such an investment (including an event of default under applicable debt documents in the event an equity cure cannot be made) or may result in a lost opportunity for such Fund to increase its participation in a successful operation.

*Investment in Junior Securities.* The securities in which a Fund will invest may be among the most junior in a portfolio company's capital structure, and thus subject to the greatest risk of loss. Generally, there will be no collateral to protect an investment once made.

*Material Non-Public Information.* As a result of the operations of EHMC and its affiliates, EHMC frequently comes into possession of confidential or material non-public information. Therefore, EHMC and its affiliates may have access to material, non-public information that may be relevant to an investment decision to be made by a Fund. Consequently, a Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or EHMC's internal policies. Due to these restrictions, a Fund may not be able to make an investment that it otherwise might have made or sell an investment that it otherwise might have sold.

*Unfunded Pension Liabilities of Portfolio Companies.* Recent court decisions have found that, where an investment fund owns 80% or more (or under certain circumstances less than 80%) of a portfolio company, such fund (and any other 80%-owned portfolio companies of such fund) might be found liable for certain pension liabilities of such a portfolio company to the extent the

portfolio company is unable to satisfy such liabilities. Although EHMC intends to manage each Fund's investments to minimize any such exposure, a Fund may, from time to time, invest in a portfolio company that has unfunded pension fund liabilities, including structuring the investment in a manner where such Fund may own an 80% or greater interest in such a portfolio company. If such Fund (or other 80%-owned portfolio companies of such Fund) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of the Fund and the companies in which such Fund invests. This discussion is based on current court decisions, statute and regulations regarding control group liability under the Employee Retirement Income Security Act of 1974, as amended, as in effect as of the date of this Brochure, which may change in the future as the case law and guidance develops.

*Valuation of Investments.* Generally, EHMC will determine the value of all the related Fund's investments for which market quotations are available based on publicly available quotations. However, market quotations will not be available for virtually all of a Fund's investments because, among other things, the securities of portfolio companies held by such Fund generally will be illiquid and not quoted on any exchange. EHMC will determine the value of all the Fund's investments that are not readily marketable based on ASC 820 guidelines as promulgated by the Financial Accounting Standards Board and any subsequent valuation guidelines required of an investment fund reporting under generally accepted accounting principles as promulgated in the United States. There can be no assurance that EHMC will have all the information necessary to make valuation decisions in respect of these investments, or that any information provided by third parties on which such decisions are based will be correct. There can be no assurance that the valuation decision of EHMC with respect to an investment will represent the value realized by the relevant Fund on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation. Accordingly, the valuation decisions made by EHMC may cause it to ineffectively manage the relevant Fund's investment portfolios and risks and may also affect the diversification and management of such Fund's portfolio of investments.

*Cybersecurity Risks.* Events continue to illustrate the ongoing cybersecurity risks to which operating companies are subject. To the extent that a portfolio company is subject to cyber-attack or other unauthorized access is gained to a portfolio company's systems, such portfolio company may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or portfolio company financial information; (iii) portfolio company software, contact lists or other databases; (iv) portfolio company proprietary information or trade secrets; or (v) other items. In certain events, a portfolio company's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other action. Any of such circumstances could subject a portfolio company, or the relevant Fund, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at EHMC or one of its service providers holding its financial or investor data, EHMC, its affiliates or the Funds may also be at risk of loss.

## **Conflicts of Interest**

EHMC and its affiliates engage in a broad range of advisory and non-advisory activities. EHMC will devote such time, personnel and internal resources as are necessary to conduct the

business affairs of the Funds in the best interests of the Funds and their investors and in keeping with the terms of the relevant LP or LLC agreement. In the ordinary course of EHMC conducting its activities, the interests of a Fund may conflict with the interests of EHMC, one or more other Funds, portfolio companies or their respective affiliates. Certain of these conflicts of interest are discussed herein. As a general matter, EHMC will determine all matters relating to structuring transactions and Fund operations using its best judgment considering all factors it deems relevant, but in its sole discretion, subject in certain cases to the required approvals by the advisory committees of the participating Funds. EHMC seeks to resolve all conflicts between itself and its advisory clients in a manner that serves the best interests of the clients.

EHMC and its affiliates face conflicts of interest in allocating investment opportunities, including add-on investment opportunities in existing portfolio companies, among the Funds and other advisory clients. During the investment stage of a Fund, all investment opportunities that are appropriate for the Fund will be pursued by EHMC for the Fund, subject to certain limited exceptions as specified in the relevant LP or LLC agreement. Following the investment stage of a Fund, EHMC will focus on opportunities unrelated to the Fund that are appropriate for EHMC's other advisory clients. EHMC currently manages, and expects in the future to manage, investments that compete with companies held by a given Fund. From time to time, EHMC will be presented with investment opportunities that are appropriate for multiple Funds and/or other investment vehicles managed by EHMC and its affiliates.

To allocate investment opportunities, including add-on opportunities, fairly, and in its advisory clients' best interests, EHMC first determines which Fund(s) are required to, and which Fund(s) it recommends to, participate in each investment opportunity. EHMC generally assesses whether an investment opportunity is appropriate for a particular Fund based on the LP or LLC agreement, as well as factors including but not limited to: investment restrictions and objectives (including those set forth in the relevant LP or LLC agreements, where applicable), strategy, risk profile, time horizon, tax sensitivity, tolerance for turnover, asset composition, cash level (if any), applicable regulatory restrictions, life cycle and structure. For example, a newly organized Fund generally will seek to purchase a disproportionate amount of investments until it is substantially invested. New investment opportunities will not be allocated to any Fund that is a special purpose vehicle established for the sole purpose of investing in a single portfolio company. A Fund will invest together with other Funds in the manner and to the extent set forth in the relevant LP or LLC agreements. EHMC will allocate investment opportunities among Funds in a manner that it believes is fair and equitable consistent with EHMC's fiduciary obligations.

Following the determination of the appropriate allocation of an investment opportunity among the Funds, any excess opportunity may be offered to one or more potential co-investors, including third parties, as determined by the Funds' LP or LLC agreements, side letters and EHMC's procedures regarding allocation. EHMC's procedures permit it to take into consideration a variety of factors in making such determinations, including but not limited to: expressed interest in co-investment opportunities; expertise of the prospective co-investor in the industry to which the investment opportunity relates; perceived ability to quickly execute on transactions; tax, regulatory, securities laws and/or other legal considerations (e.g., qualified purchaser or qualified institutional buyer status); confidentiality concerns that arise in connection with providing the prospective co-investor with specific information relating to the investment opportunity; perceived ease of process in coordinating or completing the investment with the prospective co-investor or



co-investors similar thereto; EHMC's perception of whether the investment opportunity will subject the prospective co-investor to legal, regulatory, reporting or other burdens that make it less likely that the prospective co-investor would act upon the investment opportunity if offered or would impair EHMC's ability to execute the relevant transaction in the desired time or on desired terms; size of the investment allocation and practicality of dividing it up among multiple co-investors; lender requirements; perceived public relations and reputational benefits or costs; and whether EHMC believes that allocating investment opportunities to an investor or person will help establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant portfolio company, other portfolio companies or the Funds. EHMC may grant certain third-party investors the opportunity to evaluate specified amounts of prospective co-investments in Fund portfolio companies or otherwise to have priority in co-investment opportunities.

Furthermore, decisions regarding whether and to whom to offer co-investment opportunities may be made by EHMC or its related persons in consultation with other participants in the relevant transactions, such as a co-sponsor. Co-investment opportunities may, and typically will, be offered to some and not to other EHMC investors. When and to the extent that employees and related persons of EHMC and its affiliates make capital investments in or alongside certain Funds, EHMC is subject to conflicting interests in connection with these investments. There can be no assurance that any Fund's return from 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 conflict not existed.

EHMC's allocation of investment opportunities often will not result in proportional allocations, and such allocations may be more or less advantageous to some Funds relative to others. While EHMC will allocate investment opportunities in a manner that it believes in good faith to be fair and equitable to its clients, and in pursuit of its clients' best interests, under the circumstances over time and considering relevant factors, there can be no assurance that EHMC's actual allocation of an investment opportunity, on the terms the allocation is made, will be as favorable as it would be if the conflicts of interest to which EHMC is subject, as discussed herein, did not exist.

Subject to any relevant restrictions or other limitations contained in the LP or LLC agreements of the Funds, EHMC will allocate fees and expenses in a manner that it believes in good faith to be fair and equitable to its clients, and in pursuit of its clients' best interests, under the circumstances and considering such factors as it deems relevant, but in its sole discretion. In exercising such discretion, EHMC may be faced with a variety of potential conflicts of interest. As a general matter, Fund expenses typically are allocated among all relevant Funds or co-invest vehicles eligible to reimburse expenses of that kind. In all such cases, subject to applicable legal, contractual or similar restrictions, expense allocation decisions will generally be made by EHMC or its affiliates using their best judgment, and in pursuit of clients' best interests, considering such factors as they deem relevant, but in their sole discretion. The allocation of expenses may not be proportional, and expense allocation determinations involve inherent matters of discretion (*e.g.*, in determining whether to allocate *pro rata* based on number of Funds or co-invest vehicles receiving related benefits or proportionately in accordance with asset size). The Funds have different expense reimbursement terms, including with respect to management fee offsets, which may result in the Funds bearing different levels of expenses with respect to the same investment.

As a result of the Funds' controlling interests in portfolio companies, EHMC and/or its affiliates typically have the right to appoint portfolio company board members (including current or former EHMC personnel or persons serving at their request), or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members approve compensation and/or other amounts payable to EHMC and/or its affiliates. Unless such amounts are subject to the LP or LLC agreements' offset provisions, they will be in addition to any management fees or carried interest paid by a Fund to EHMC.

Additionally, a portfolio company typically will reimburse EHMC or service providers retained at EHMC's discretion for expenses (including without limitation travel expenses) incurred by EHMC or such service providers in connection with its performance of services for such portfolio company. This subjects EHMC and its affiliates to conflicts of interest because the Funds generally do not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. EHMC determines the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices.

EHMC generally exercises its discretion to recommend to a Fund or to a portfolio company thereof that it contract for services with (i) EHMC or a related person of EHMC (including portfolio companies of such Fund), (ii) an entity with which EHMC or its affiliates or current or former members of their personnel has a relationship or from which EHMC or its affiliates or their personnel otherwise derives financial or other benefit or (iii) certain investors or their affiliates. For example, EHMC may be presented with opportunities to receive financing and/or other services in connection with a Fund's investments from certain investors or their affiliates that are engaged in lending or related business. This subjects EHMC to conflicts of interest, because although EHMC selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, the best interests (*i.e.*, enhanced returns) of the relevant Fund, EHMC has an incentive to recommend the related or other person (including an investor) because of its financial or other business interest. There is a possibility that EHMC, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the relevant Funds or EHMC), may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Whether or not EHMC has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

EHMC and/or its affiliates may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Funds or other investment vehicles advised by EHMC and/or its affiliates; conversely, former personnel or executives of EHMC and/or its affiliates may serve in significant management roles at portfolio companies or service providers recommended by EHMC. Similarly, EHMC, its affiliates and/or personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including managers of private funds, banks and brokers. Certain of these persons or entities invest (or are affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, EHMC and/or its affiliates, and/or the Funds or other investment vehicles they advise. EHMC has a conflict of interest with a Fund in recommending the retention or continuation of a third-party service provider to the Fund or a portfolio company if the recommendation, for example, is motivated by a belief that the service

provider or its affiliate(s) will continue to invest in one or more Funds, will provide EHMC research or other information about markets and industries in which EHMC operates (or is contemplating operations) or will provide other services that are beneficial to EHMC. EHMC has a conflict of interest in making such recommendations, in that EHMC has an incentive to maintain goodwill between it and the existing and prospective portfolio companies of a Fund.

EHMC, its affiliates, and equity holders, officers, principals and employees of EHMC and its affiliates may buy or sell securities or other instruments that EHMC has recommended to a Fund. In addition, officers, principals and employees may buy securities that would otherwise be appropriate for the Fund. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of any Fund. Employees and related persons of EHMC have, and are expected to continue to have, capital investments in or alongside certain Funds, or in prospective portfolio companies directly or indirectly, and therefore may have additional conflicting interests in connection with these investments.

Because certain expenses are paid for by a Fund and/or its portfolio companies or, if incurred by EHMC, are reimbursed by a Fund and/or its portfolio companies, EHMC will not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses.

In addition, as described above, advisors generally provide consulting services in relation to regulatory, policy, and economic matters affecting the healthcare industry and are compensated for such services. Also as described above, operating partners provide various services to portfolio companies (and, to a lesser extent, the Funds) and are compensated for such services. Other consultants may be introduced or arranged by EHMC and/or its affiliates that regularly provide services to one or more portfolio companies), and such fees do not offset the management fee as described herein. Operating partners generally make use of EHMC resources or otherwise are associated with EHMC. EHMC and/or its affiliates compensate certain operating partners to the extent portfolio company-related compensation falls below certain specified levels on an aggregate annualized basis or provide other compensation. Operating partners generally receive investment opportunities, reimbursements and other compensation that do not offset the management fee of any Fund, as described herein. Although EHMC seeks to retain operating partners with a view to reducing costs to portfolio companies (and, ultimately, the Funds) and/or improving portfolio company performance, a number of factors may result in limited or no cost savings from such retention. EHMC also seeks to reduce potential conflicts of interest resulting from such arrangements by structuring compensation packages for such persons in a manner that EHMC believes will align such persons' interests with those of the Funds' investors and seeks to retain only operating partners and service providers which it believes provide a level of service at a value generally consistent with other relevant market alternatives. However, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

Because there is a fixed investment period after which capital from investors in a Fund may only be drawn down in limited circumstances and because management fees are, at certain times during the life of a Fund, based upon capital invested by such Fund, this fee structure creates an incentive to deploy capital when EHMC may not otherwise have done so.

EHMC and/or its affiliates may enter into side letters with certain investors in a Fund providing such investors with different or preferential rights or terms, including but not limited to different fee structures, information rights, co-investment rights, and liquidity or transfer rights.

EHMC has instituted a program under which portfolio companies owned by the Funds are given the option to participate in purchasing, vendor or similar arrangements with EHMC, its affiliates and other portfolio companies. Program participants expect to receive discounts negotiated with various vendors and service providers on a groupwide basis. Participants voluntarily participate in the program without cost. EHMC and its affiliates also participate in the program and receive similar benefits and discounts as the portfolio companies participating therein. No such amounts will result in additional offsets to the management fee. EHMC believes the potential for conflicts relating to such arrangements is mitigated by the anticipated cost savings to portfolio companies (which is expected to be to the benefit of the applicable Fund(s)) that will result if the negotiated discounts rates for goods and services are discounted relative to those widely available in the market.

EHMC seeks to resolve all conflicts of interest in alignment with the best interests of the Funds and their investors, including by allocating investment opportunities among Funds and other advisory clients in a fair and equitable manner. To the extent that an investment or relationship raises particular conflicts of interest, EHMC will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict. Where necessary, EHMC consults and receives consent to conflicts from an advisory committee consisting of investors of the relevant Fund(s) and such other investment vehicles.

## **Item 9 – Disciplinary Information**

EHMC and its supervised persons have not been subject to any legal or disciplinary events required to be discussed in this Brochure.

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

### **Related General Partners**

The following, each of which is affiliated with EHMC, serve as the general partners of the Funds:

- Enhanced Healthcare Partners GP, LLC
- EHP Partners, LLC
- Enhanced NextCare Fund GP LLC
- EEF Partners III, LLC

The principals of EHMC are members of EHMC and of the Funds' general partners. In addition, investment professionals and affiliated individuals or entities are members of the Funds' general partners. The principals of EHMC together with its affiliates invest in the Funds for their own or beneficial ownership accounts.

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

EHMC is subject to a Code of Ethics (the "EHMC Code") in accordance with Rule 204A-1 under the Advisers Act. The EHMC Code sets forth appropriate ethical standards of business and personal conduct that EHMC requires of its employees, including compliance with its fiduciary duties and applicable federal and state securities laws. The EHMC Code also addresses conflicts of interest that may arise from personal trading by such persons. The EHMC Code provides disciplinary sanctions for violations of its provisions.

The policies and procedures set forth in the EHMC Code recognize that, as an investment adviser, EHMC is in a position of trust and confidence with respect to the Funds and has a duty to place the best interests of the Funds before the interests of EHMC and its employees. This duty includes an obligation to address or mitigate both conflicts of interest and the appearance of any conflicts of interest.

The EHMC Code requires employees to (i) act with integrity, honesty, competence, and in an ethical manner when dealing with the public, regulators, clients, investors, prospective investors and their fellow employees, (ii) adhere to the highest standards with respect to any potential conflicts of interest with the Funds, and (iii) preserve the confidentiality of information that they obtain in the course of EHMC's business, and use such information properly and not in any way adverse to the interests of the Funds, subject to the legality of using such information.

Additionally, EHMC has adopted policies and procedures designed to: ensure the proper handling of confidential information (*i.e.*, nonpublic information received or created by EHMC in connection with its activities, including such information relating to the Funds' portfolio companies); prevent violations of laws and regulations prohibiting the misuse of such information; and avoid situations that might create an appearance of such misuse.

Under the EHMC Code and EHMC policy, employees are prohibited from trading in securities of any company while in possession of material, non-public information regarding the company. Therefore, employees of EHMC are required to disclose all brokerage or securities accounts in the individual's name or over which the employee has any direct or indirect beneficial ownership, including accounts over which investment discretion is exercised either directly or indirectly. Further, although EHMC operates under a mandate to not take a position in a company which is publicly traded as part of EHMC's exit strategy, such target companies may issue IPOs, which the Funds may hold.

In that event, EHMC's interests are aligned with the Fund investors by virtue of its or its related person's ownership interests in the Funds. Accordingly, EHMC does not consider its service on

portfolio company boards as a material conflict of interest in voting proxies regarding such companies.

EHMC receives and reviews all trading and other reports and employee certifications submitted pursuant to the EHMC Code to determine that any personal trading conducted by employees and other supervised persons is consistent with requirements and restrictions set forth in the EHMC Code and does not otherwise indicate any improper trading activities.

When applicable, EHMC has full discretion to vote proxies, and as such EHMC will not seek investor approval or direction when voting proxies. In the event there is a conflict of interest or potential conflict of interest between a portfolio company and a Fund in voting proxies, EHMC will seek the approval of the appropriate Fund advisory committee on the proposed proxy vote.

In addition, the EHMC Code: restricts employees' ability to conduct activities outside of the firm that conflict with the interests of the Funds; requires preapproval for gifts and entertainment in excess of certain de minimus values that are received and/or provided by employees; and restricts employees' ability to make political donations.

Also, as discussed in Item 10 above, EHMC's principals and other affiliates may invest for their own accounts in the securities of companies in which the Funds have made a portfolio investment.

A copy of the EHMC Code is available upon written request to the Chief Compliance Officer of EHMC.

## **Item 12 – Brokerage Practices**

EHMC focuses on securities transactions involving private companies and generally purchases and sells such companies through privately negotiated transactions. The services of a broker dealer are often retained in connection with the purchase or sale of such private companies. Should a private securities transaction become public, EHMC may also distribute securities to investors in the Funds or sell such securities, including using a broker-dealer for listed securities.

### **Best Execution (Public Securities Transactions)**

Generally, EHMC's investments on behalf of the Funds are in private, not publicly traded, securities. In the event that EHMC utilizes a broker-dealer for any listed securities transaction in an EHMC Fund in the future, the Fund will direct orders to broker-dealers and the Funds will incur brokerage and other transaction costs. Transactions could involve specialized services on the part of a broker-dealer, which may justify higher commissions (and mark-ups or mark-downs) than would be the case for more routine services. For such securities transactions, EHMC will seek to obtain best execution of transactions. In doing so, EHMC will seek to execute securities transactions for the Funds in such a manner that the Funds' total costs or proceeds in each transaction are the most favorable under the circumstances. In assessing whether that standard is met, EHMC shall consider the full range and quality of a counterparty's services when placing orders, including, among other things, execution capability, commission rate or spread, financial responsibility, responsiveness and the value of any research services provided. The Chief Compliance Officer will monitor and review such public trades, as well as, if applicable, order allocations, on an ongoing basis. As noted above, EHMC anticipates conducting trades in public markets on an infrequent basis.

EHMC does not obtain third-party research services or products with commissions (“soft dollars”). As is customary in the industry, broker-dealers may provide their own proprietary research such as economic studies and forecasts, statistics and pricing or appraisal services, and access to research analysts and company executives. EHMC will periodically evaluate which brokers have provided research that has been helpful in the management of the Funds. EHMC’s management fees will not be reduced as a consequence of the receipt of such supplemental research information.

## **Item 13 – Review of Accounts**

### **Reviews**

EHMC follows a disciplined investment process implemented by its principals throughout their careers. The process includes frequent communication among the principals and their proprietary network of relationships. Potential new investments, portfolio company activity and the status of EHMC’s pipeline of investments are discussed in great detail at regular general partner meetings that are attended by all EHMC investment professionals.

All investments made by the Funds require approval of the relevant investment committee. With a strong emphasis on proprietary deal flow, the investment process enables EHMC to leverage its extensive industry contacts and relationships to evaluate, negotiate and close transactions effectively. After a Fund makes a new investment in a new portfolio company, EHMC and its operating partners work with the management team to solidify the base business for growth, recruit (add and/or upgrade) key management positions, develop internal growth strategies, identify add-on acquisitions and determine appropriate exit strategies. EHMC places great importance on holding a seat on the board of each portfolio company or on having a contractual right to attend board meetings.

Reconciliations of accounts include but are not limited to cash, custody, valuation, fees, performance and investor statements.

### **Reports**

The Funds’ portfolio investments are monitored closely by EHMC’s principals and investment professionals. The Funds and their portfolio investments are reviewed and monitored with respect to historic and anticipated performance, market developments and compliance with the investment mandate of each Fund on an ongoing basis, both informally and formally through scheduled weekly general partner meetings attended by all EHMC investment professionals.

The nature and frequency of regular reports to investors in the Funds depends on the terms of the governing documents of the Funds. Typically, investors in the Funds are provided with quarterly investor letters and unaudited financial reports. Additionally, annual investor letters and annual audited financial statements are provided to the investors.

The Funds’ investors should refer to their Fund’s offering documents for more information about the reports they are to receive.

## **Valuation**

The portfolio investments of each Fund are valued by its general partner in accordance with generally accepted accounting principles. Formal valuations of the Fund's portfolio are made quarterly and are reported to each investor.

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

EHMC does not compensate anyone for client referrals. Other compensation is discussed in Item 5 above.

## **Item 15 – Custody**

EHMC is deemed to have custody of client assets by virtue of the fact that it or a related person serves as the general partner of each Fund. Certain assets belonging to the Funds are reflected in the books and records of working capital accounts, which in each case are (i) wholly-owned subsidiaries of the Funds, (ii) consolidated into the books and records of the Funds, and (iii) maintained with a qualified custodian along with the Funds' other assets in compliance with Rule 206(4)-2 under the Advisers Act.

Rule 206(4)-2 sets forth certain requirements for the safekeeping of client assets. Pursuant to the rule, EHMC has an independent, accounting firm that is both registered with and subject to regular inspection by the Public Company Accounting Oversight Board, and the audited financial statements are distributed to each investor in the investment pool (or their independent representative) within 90 days of the fiscal year end of the investment pool.

## **Item 16 – Investment Discretion**

EHMC, including the general partner of each Fund, generally has discretionary authority, based on its investment management agreements with the Funds, to buy and sell securities or other investments on behalf of the Funds and to determine the amount of such investments to be bought and sold, subject to such restrictions as are specified in the Funds' offering documents. The terms upon which EHMC serves as the investment manager of each Fund are established at the time the Fund is formed and are set out in the investment management agreement and LP or LLC agreement between EHMC and the relevant Fund. The terms, including investment restrictions and termination provisions, which vary by Fund, potentially restrict EHMC's advice concerning investment in certain securities or types of securities.

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

The SEC requires EHMC to: (i) adopt policies and procedures reasonably designed to ensure that proxies with respect to instruments in the Funds where EHMC exercises voting discretion are voted in the best interest of the Funds; (ii) disclose how information may be obtained on how EHMC votes proxies; and (iii) maintain records relating to EHMC's proxy voting.

Generally, EHMC's investments on behalf of the Funds are in private, not publicly traded, securities. In certain circumstances, however, such as when a private company becomes publicly registered, EHMC will be authorized with proxy voting responsibility. Accordingly, EHMC has adopted proxy



voting policies and procedures. EHMC's policy is to vote proxies in the best interest of the Funds and their investors. Consideration is given to both the short and long-term implications of the proposal to be voted on when considering the optimal vote.

In voting for directors of companies and proposals submitted by management and shareholders, including option and compensation proposals, EHMC considers the performance of the company in relation to industry conditions, competitive companies and circumstances peculiar to the

company. For persons nominated to be directors, EHMC would consider the background of the applicant in relation to expertise required by the company as well as the independence and overall composition of the company's board of directors. With respect to compensation and stock option proposals, EHMC considers such proposals in relation to other companies of similar size as well as the overall earnings of the company. Other proposals, including proposals that might deter takeovers or proposed severance packages, are considered with a view toward maximizing the value of the Fund's investment.

The Funds' investors may obtain a copy of EHMC's proxy voting policies and procedures and information on how EHMC voted proxies by submitting a written request to EHMC's Chief Compliance Officer.

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

EHMC has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to investors and has not been the subject of a bankruptcy proceeding.