

## **Part 2A of Form ADV**

### **Firm Brochure**

**March 28, 2024**

#### **Coalescence Partners Investment Management II, LLC**

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This brochure provides information about the qualifications and business practices of Coalescence Partners Investment Management II, LLC (the “Adviser”). If you have any questions about the contents of this brochure, please contact the Chief Compliance Officer at 212-603-9860 or [vyu@cp-im.com](mailto:vyu@cp-im.com). This information 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 the Adviser is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration with the SEC does not imply a certain level of skill or training.

**Item 2.      Material Changes**

There are no material changes to report.

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

The Adviser is an investment adviser with its principal place of business in New York, New York. The co-founders and Managing Partners of the Adviser are Hai (Harry) Gao and Yiting Liu. Starland US Limited is a managing member of the Adviser who has delegated day to day operations to the Managing Partners.

The Adviser provides investment advisory services on a discretionary basis to its clients, which consist of private funds (the “Funds” or “Clients”) intended for sophisticated investors and institutional investors.

The Adviser provides advice to Clients based on specific investment objectives and strategies. The Adviser does not tailor advisory services to the individual needs of Clients.

As of March 28, 2024, the Adviser had approximately \$54,265,948 of regulatory assets under management, all of which was managed on a discretionary basis.

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

*Asset-Based and Performance-Based Compensation.* The asset-based fee and performance-based compensation rates for the Funds is described in each Fund’s offering memorandum, limited partnership agreement, or limited liability company agreement (collectively, the “Governing Documents”) as applicable.

The Funds pay to the Adviser a semi-annual asset-based management fee (the “Management Fee”). The Management Fee is paid semi-annually in advance, based on the aggregate amount drawn down in satisfaction of each Fund investor’s (“Fund Investor”) capital commitment. After the expiration of the commitment period (as provided for in each Fund’s Governing Documents), the Management Fee shall be calculated based on the amount of the capital contributions to the Funds at an annual rate provided for in the relevant Fund’s Governing Documents that have not been repaid to the Fund Investors as of the end of the preceding semi-annual period. The Adviser, in its sole discretion, may waive or modify the Management Fee for certain Fund Investors.

An affiliate of the Adviser that serves as the general partner (the “General Partner”) of the Funds will be paid performance-based compensation by the Funds, which is compensation that is based on a share of capital gains on or capital appreciation of the assets of the Funds. The General Partner, in its sole discretion, may waive or modify the performance-based compensation for certain Fund Investors.

*Expenses.* In addition to paying the Management Fee and, as applicable, the performance-based compensation, the Funds are also subject to other expenses such as all expenses associated with the acquisition, holding, monitoring and disposition of interests in Fund Investments (including finder’s fees); legal, auditing, consulting, accounting, valuation and other professional fees and expenses; interest costs related to any credit facility; costs for the preparation of the Fund’s financial statements, and tax returns; Fund-related insurance costs (including D&O insurance costs); data providers (such as Capital IQ and FactSet); taxes, fees and other governmental charges levied against the Fund; expenses incurred in winding up or liquidating the Fund; expenses related to defaults by Fund Investors; expenses incurred in connection with any proceeding and the amounts of any settlements paid in connection therewith; the Fund’s pro rata share of the costs of any meetings of the Fund Investors and the Fund’s LP Advisory Board; expenses incurred in connection with any restructuring or amendments to the government documents of the Fund or any alternative investment vehicle; all expenses and indemnification obligations of the Fund; expenses incurred in connection with distributions to the Fund Investors; interest and other expenses incurred by the Fund with respect to the borrowings; and compliance expenses in connection with the compliance obligations of the Fund (including, without limitation, third party consulting fees, expenses relating to compliance or regulatory filings, including Form PF) in addition to any extraordinary expenses such as litigation.

The allocation of expenses by the Adviser between it and a Client and among Clients represents a conflict of interest for the Adviser. The Adviser will adopt an expense allocation policy that is designed to address

this conflict. The Adviser will allocate expenses to each Client in accordance with the Client's Governing Documents. The Adviser will seek to allocate any shared expenses for products and services benefitting multiple Clients or both the Adviser and a Client, and not covered in the Client's Governing Documents, in a fair and reasonable manner.

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

The Adviser and its investment personnel will provide investment management services to multiple portfolios for multiple Clients. The Adviser (or an affiliate of the Adviser) will be entitled to be paid performance-based compensation by the Clients. Such performance-based compensation may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements. In addition, certain Client accounts may have higher asset-based fees or more favorable performance-based compensation arrangements than other Client accounts or have asset-based fees or performance-based compensation arrangements providing for payment to the Adviser at different times or over different time intervals. When the Adviser and its investment personnel manage more than one Client account a potential exists for one Client account to be favored over another Client account. The Adviser and its investment personnel will have a greater incentive to favor Client accounts that pay the Adviser (and indirectly its investment personnel) higher fees, performance-based compensation, or compensation that is paid at different times or over different time intervals.

The Adviser manages multiple Client accounts. Accordingly, the Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with different fee arrangements, and the allocation of investment opportunities. The Adviser reviews investment decisions for the purpose of ensuring that all accounts with the same or substantially similar investment objectives, strategies and restrictions are treated equitably. The performance of accounts with the same or substantially similar investment objectives, strategies and restrictions is also reviewed to determine whether there are any unexplained significant discrepancies.

In certain circumstances, the Adviser may permit certain investors to co-invest in portfolio companies alongside one or more Funds. Where a co-invest vehicle managed by the Adviser is formed, such entity generally will bear expenses related to its formation and operation, many of which are similar in nature to those borne by the Funds. If any person invests alongside a Fund in a co-investment entity managed by the Adviser, the Adviser will generally allocate the expenses of the investment among the investors in proportion to their amounts invested in the investment; provided, however, that expenses specifically attributable to a single investor or a group of investors will be charged solely to such investor or a group of investors, as applicable. Unless any co-investors otherwise agree, a Fund will bear the entire amount (including any amount otherwise allocable to any such co-investors) of any break-up fee or broken deal expense or other fees, costs, and expenses related to a co-investment that is not consummated.

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

The Adviser's Clients consist of the Funds. The Adviser, however, is not precluded from advising types of clients other than the Funds. Any initial and additional subscription minimums with respect to investment in a Fund are disclosed in the Fund's Governing Documents.

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

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

##### **Investment Objective and Strategy**

The investment objectives of the Funds are generally to (i) provide long-term capital appreciation to Fund Investors, (ii) serve as a bridge to help Fund Investors access global opportunities that are typically funded by local investors, and (iii) help new technologies access the Chinese market by partnering with local

companies. The Adviser intends to apply an opportunistic investment approach that allows the Funds to pursue the set of investment opportunities that the Adviser believes will provide the Funds with an appropriate risk-adjusted return. The Funds may invest in companies globally in different industries at various stages of development (early, growth, late). The Funds' primary focus is private companies engaged in business within the U.S. in the technology, healthcare, financial services and consumer goods sectors. The Funds may have investment restrictions provided for in the relevant Governing Documents.

***B. Material Risks (Including Significant or Unusual Risks) Relating to Investment Strategies***

The following summary identifies the material risks related to the Adviser's significant investment strategies and should be carefully evaluated before making an investment with the Adviser; however, the following does not intend to identify all possible risks of an investment with the Adviser or provide a full description of the identified risks. Fund Investors and potential investors in a Fund should refer to the Governing Documents for the Client for a further discussion of the applicable risks.

*Private Company Investments.* While the Adviser will invest in private investments for its Clients, the Adviser has a limited history of managing investment vehicles solely focused on investing in private companies compared to its investments in public equities. Investments in the private equity of companies at various stages in their development involve a high degree of business and financial risk. Private companies with limited operating history may require substantial additional capital to support expansion or to achieve or maintain a competitive position, may produce substantial variations in operating results from period to period or may operate at a loss. The Funds will have significant exposure to and invest in private, late-stage companies across a variety of industry sectors. These late-stage companies typically have modest revenues (and in the case of some companies, no revenue) and may or may not be profitable. Private companies in which the Funds invests may require additional capital after the Funds' investment to develop technologies and markets, acquire customers and achieve or maintain a competitive position. This capital may not be available at all, or may not be available on acceptable terms. Further, the technologies and markets of such companies may not develop as anticipated, even after substantial expenditures of capital. Such companies may face intense competition, including competition from established companies with much greater financial and technical resources, more extensive development, manufacturing, marketing and service capabilities, and a greater number of qualified managerial and technical personnel. Although the Adviser may seek to negotiate certain protective provisions in connection with certain of the Funds' private investments, the Funds primarily expect to take minority positions in the portfolio companies in which they invest. The Funds generally will not be represented on a portfolio company's board of directors, and each portfolio company will be managed by its own officers (who generally will not be affiliated with the Funds, the Adviser or the General Partner). As a result, the Adviser typically will not be in a position to exercise control over the management of such portfolio companies, and, accordingly, may have a limited ability to protect its position in the portfolio companies. Some portfolio companies may depend upon managerial assistance or financing provided by their investors. The value of the Funds' investments may depend upon the quality of managerial assistance provided by the investors in the portfolio companies and their ability and willingness to provide financial support. The use of leverage by the private companies may increase the exposure of such companies to adverse economic factors, such as downturns in the economy or deterioration in the conditions of such companies or their respective industries. In the event any portfolio company cannot generate adequate cash flow to meet debt service or operating expenses, the Funds may suffer a partial or total loss of capital invested in the portfolio company which, depending on the size of the Funds' investments, could adversely affect the return on the capital of the Funds.

The Funds' ability to realize value from an equity investment in a private company may depend largely upon successful completion of the company's initial public offering ("IPO") or the sale of the company's assets or stock to another company, which may not occur for a period of several years after the date of the Funds' investments, or may not occur at all. There can be no assurance that any of the portfolio companies in which the Funds invests will complete public offerings or be sold, or, if such events occur, as to the timing and value of such offerings or sales. In addition, the Funds may be subject to, or may agree to become subject to, lock-up periods subsequent to an IPO or other liquidity event. The Funds may also lose all or part of their entire investment if the portfolio companies fail or their product lines fail to achieve an adequate level of market recognition or acceptance.

*Follow-On Investments.* Following its initial investment in a particular portfolio company, the Adviser on behalf of the Funds may decide to provide additional funds to the portfolio company to increase, protect and/or preserve its investment in the portfolio company ("Follow-On Investments"). There can be no assurance that the Adviser will make Follow-On Investments on behalf of the Funds or that the Funds will have sufficient funds to make all or any of such investments. Any decision by the Adviser not to make Follow-On Investments or the Funds' inability to make Follow-On Investments may (i) have a substantial negative impact on a portfolio company in need of such an investment, (ii) result in a lost opportunity for the Funds to increase its participation in a successful operation, and (iii) result in the Funds' position in a portfolio company being diluted and/or the loss of certain rights and protections that were agreed as part of the Funds' initial investments in the company.

*Risk of Reliance on Portfolio Company Management; Investments with Third Parties.* Although the Adviser will monitor the performance of each Fund's investment in a portfolio company, the Adviser on behalf of the Funds will rely upon each portfolio company's management to operate the portfolio company on a day-to-day basis. There can be no assurance that the management of portfolio companies in which the Funds invests will operate successfully. Further, the Funds expects to hold a minority position in its portfolio companies in most cases and its ability to exercise influence over these portfolio companies may be extremely limited. In such cases, the Funds will be significantly reliant on the existing management and board of directors of such portfolio companies, which may include representation of other financial investors with whom the Funds are not affiliated and whose interests may conflict with the interests of the Funds. Such investments may involve risks in connection with such third party involvement, including the possibility that a third party may have financial difficulties, resulting in a negative impact on the Funds' investment, may have economic or business interests or goals which are inconsistent with those of the Funds, or may be in a position to take (or block) action in a manner contrary to the Funds' investment objectives. In addition, the Funds may in certain circumstances be liable for the actions of its third-party co-venturers. In those circumstances where such third parties involve a management group, such third parties may receive compensation arrangements relating to such investments, including incentive compensation arrangements.

*Expedited Transactions.* Investment analyses and decisions by the Adviser may be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the Adviser at the time of an investment decision may be limited, and the Adviser may not have access to detailed information regarding the investment opportunity. Therefore, no assurance can be given that the Adviser will have knowledge of all circumstances that may adversely affect an investment. In this regard, the Adviser intends to rely primarily on its internal market knowledge and research expertise in making investment decisions, and typically it will not engage third-party experts or consultants to assist in due diligence or analysis of particular opportunities.

*Market Risks.* The profitability of a significant portion of the Funds' investment programs depends to a great extent upon correctly assessing the future course of price movements of specific securities and other investments. There can be no assurance that the Adviser will be able to predict accurately these price movements. At times, the securities markets experience great volatility and unpredictability, which could make it more difficult or less profitable, for a company to engage in a sale transaction or an IPO. With respect to the investment strategy utilized by the Funds, there is always some, and occasionally a significant degree of, market risk that impacts a portfolio company's ability to execute on its business plan.

*General Risks of Lending.* The value of the Funds' investments in debt instruments may be detrimentally affected to the extent a borrower defaults on its obligations, there is insufficient collateral and/or there are extensive legal and other costs incurred in collecting on a defaulted instrument. The Adviser may attempt to minimize this risk by maintaining low loan-to-liquidation values with each loan and the collateral underlying the loan. However, there can be no assurance that the value assigned by the Adviser to collateral underlying a debt instrument held by the Funds will be realized upon liquidation, nor can there be any assurance that collateral will retain its value. In addition, certain debt instruments may be supported, in whole or in part, by personal guarantees made by the borrower or a relative, or guarantees made by a corporation affiliated with the borrower. The amount realizable with respect to a debt instrument may be detrimentally affected if a guarantor fails to meet its obligations under the guarantee. Moreover, the value of collateral supporting such debt instruments may fluctuate. In addition, active lending/origination by the

Funds may subject it to additional regulation, as well as possible adverse tax consequences to the Funds and/or the Fund Investors. The Adviser will seek to adopt appropriate procedures to minimize such risks. Finally, there may be a monetary, as well as a time cost involved in collecting on defaulted debt instruments and, if applicable, taking possession of and subsequently liquidating various types of collateral.

*Non-Diversification.* The assets of the Funds may at times be concentrated into a relatively few number of securities and/or sectors. Accordingly, the investment portfolio of the Funds may be subject to more rapid change in value than would be the case if the Funds were required to maintain a wide diversification among portfolio companies, sectors, securities, countries and industry groups.

*High-Growth Industry Related Risks.* The Adviser on behalf of the Funds may make investments in the securities of high-growth portfolio companies. These portfolio companies may face undeveloped or limited markets, have limited products, have no proven profit-making history, may operate at a loss or with substantial variations in operating results from period to period, have limited access to capital and/or be in the developmental stages of their businesses, have limited ability to protect their rights to certain patents, copyrights, trademarks and other trade secrets, or be otherwise adversely affected by the extremely competitive markets in which many of their competitors operate.

*Lack of Liquidity of Fund Assets.* The Funds' portfolios will be invested in non-publicly traded securities and private instruments for which the number of potential purchasers and sellers, if any, is very limited. This factor may have the effect of limiting the availability of these securities for purchase by the Funds and may also limit the ability of the Funds to sell such securities at their fair value prior to termination of the Funds or in response to changes in the economy or financial markets. Due to securities regulations governing certain publicly-traded equity securities, that ability could also be diminished with respect to equity holdings that represent a significant portion of the issuer's voting securities. Thus, there can be no assurance as to the timing and amount of distributions from the Funds. To the extent any private investments cannot be sold prior to the termination of the Funds, they may be distributed in kind to the Funds Investors at termination.

*Emerging Markets.* The Adviser on behalf of the Funds will make significant investments in portfolio companies engaged in business activities in emerging markets. Investing in emerging markets involves certain risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks include, but are not limited to, (a) the risk of nationalization or expropriation of assets or confiscatory taxation; (b) social, economic and political uncertainty including war; (c) dependence on exports and the corresponding importance of international trade; (d) price fluctuations, less liquidity and smaller capitalization of securities markets; (e) currency exchange rate fluctuations; (f) rates of inflation; (g) controls on foreign investment and limitations on repatriation of invested capital and on the Funds' ability to exchange local currencies for U.S. dollars; (h) governmental involvement in and control over the economies; (i) that governments may decide not to continue to support economic reform programs generally and could impose centrally planned economies; (j) differences in auditing and financial reporting standards which may result in the unavailability of material information about issuers; (k) less extensive regulation of the securities markets; (l) the settlement period of securities transactions in non-U.S. markets may be longer; (m) less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors; and (n) certain considerations regarding the maintenance of Fund portfolio securities and cash with non-U.S. sub-custodians and securities depositories.

As noted above, in emerging markets, there may be less government supervision and regulation of business and industry practices, stock exchanges, over-the-counter markets, brokers, dealers and issuers than in other more established countries. Whatever supervision is in place may be subject to manipulation or control. While many emerging market countries have mature legal systems comparable to those of more developed countries, others do not. Moreover, the process of legal and regulatory reform may not be proceeding at the same pace as market developments which could result in investment risk. Legislation to safeguard the rights of private ownership may not yet be in place in certain areas, and there may be the risk of conflict among local, regional and national requirements. In certain cases, the laws and regulations governing investments in securities may not exist or may be subject to inconsistent or arbitrary appreciation or interpretation. Both the independence of judicial systems and their immunity from economic, political or



nationalistic influences remain largely untested in many countries. The Funds may also encounter difficulties in pursuing legal remedies or in obtaining and enforcing judgments in foreign courts.

***C. Risks Associated With Types of Securities that are Primarily Recommended (Including Significant or Unusual Risks)***

*Equity-Related Instruments in General.* The Adviser may use equity-related instruments in its investment program. Certain options and other equity-related instruments may be subject to various types of risks, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk. In addition, equity-related instruments can involve significant economic leverage and may, in some cases, involve significant risks of loss.

*Debt Securities and Obligations.* The Adviser on behalf of the Fund may invest in various corporate and asset-based debt obligations. These debt obligations are subject to the risk of an issuer's inability to meet principal and interest payments on the obligations (credit risk). The Adviser may intend to actively expose the Fund to credit risk. However, there can be no guarantee that the Fund will be successful in making the right selections and thus fully mitigate the impact of credit risk on the Fund. A debt security or obligation may be subject to redemption at the option of the issuer. If a debt security or obligation held by the Fund is called for early redemption, the Fund will be required to permit the issuer to redeem such security or obligation, which could have an adverse effect on the Fund's ability to achieve its investment objective.

*Lower Rated Debt and Preferred Securities.* The Adviser on behalf of the Funds may invest in debt instruments and preferred securities which are rated in the lower rating categories by the various credit rating agencies or, more commonly, in comparable non-rated debt instruments and securities. Debt instruments and securities in the lower rating categories and comparable non-rated debt instruments and securities are subject to greater risk of loss of principal and interest than higher-rated and comparable non-rated debt instruments and securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay dividends and interest and repay principal. They are also generally considered to be subject to greater risk than debt instruments and securities with higher ratings and comparable non-rated debt instruments and securities in the case of deterioration of general economic conditions. The market for lower-rated and comparable non-rated debt instruments and securities is thinner, often less liquid, and less active than that for higher-rated and comparable non-rated debt instruments and securities, which can adversely affect the prices at which such debt instruments and securities can be sold and may even make it impracticable to sell such debt instruments and securities.

*Non-U.S. Securities.* Investing in securities of portfolio companies that are generally denominated in non-U.S. currencies and utilization of options on non-U.S. securities involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of United States companies. These considerations include changes in exchange rates and exchange control regulations, restrictions, risks, or impracticalities that could (i) result in the Adviser relying on third parties with respect to currency transactions (including income repatriation), and/or (ii) make currency transactions expensive, political and social instability, expropriation, imposition of foreign taxes (for example, the imposition of withholding taxes on dividends, interest payments or capital gains), less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less governmental supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

*Currency Risks.* Investments in securities or other instruments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. The Funds may try to hedge these risks by investing in foreign currencies, foreign currency futures contracts and options thereon, forward foreign currency exchange contracts or similar instruments, or any combination thereof, but there can be no assurance that such strategies will be implemented, or if implemented, will be effective.

*Warrants.* Warrants are derivative instruments that permit, but do not obligate, the holder to subscribe for other securities. Warrants do not carry with them the right to dividends or voting rights with respect to the securities that they entitle the holder to purchase, and they do not represent any rights in the assets of the issuer. As a result, warrants may be considered more speculative than certain other types of investments. In addition, the value of a warrant does not necessarily change with the value of the underlying securities or commodities, and a warrant ceases to have value if it is not exercised prior to its expiration date.

*Convertible Securities.* The Adviser on behalf of the Funds may invest in convertible securities, securities that may be exchanged or converted into a predetermined number of the issuer's underlying shares or the shares of another company or that are indexed to an unmanaged market index at the option of the holder during a specified time period. Convertible securities may take the form of convertible preferred stock, convertible bonds or debentures, stock purchase warrants, zero-coupon bonds or liquid-yield option notes, stock index notes, mandatories, or a combination of the features of these securities. Prior to conversion, convertible securities have the same general characteristics as non-convertible debt securities. As with all debt securities, the market value of convertible securities tends to decline as interest rates increase, and conversely, increase as interest rates decline. Convertible securities, however, also appreciate when the underlying common stock appreciates, and conversely, depreciate when the underlying common stock depreciates.

### **Additional Risks Relating to the Adviser**

*Systems and Operational Risks.* The Adviser relies on certain financial, accounting, data processing and other operational systems and services that are employed by the Adviser and/or by third party service providers, including prime brokers, the third party administrator, market counterparties and others. Many of these systems and services require manual input and are susceptible to error. These programs or systems may be subject to certain defects, failures or interruptions. For example, the Adviser and Clients could be exposed to errors made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or related to other similar disruptions in Clients' operations. In addition, despite certain measures established by the Adviser and third party service providers to safeguard information in these systems, the Adviser, Clients and their third party service providers are subject to risks associated with a breach in cybersecurity which may result in damage and disruption to hardware and software systems, loss or corruption of data and/or misappropriation of confidential information. Any such errors and/or disruptions may lead to financial losses, the disruption of Client trading activities, liability under applicable law, regulatory intervention or reputational damage.

*Cybersecurity Risk.* The information and technology systems of the Adviser and of key service providers to the Adviser and Clients may be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Adviser has implemented various measures designed to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, it may be necessary for the Adviser to make a significant investment to fix or replace them and to seek to remedy the effect of these issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of the Adviser or Client accounts and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information.

*Risk Management Failures.* Although the Adviser attempts to identify, monitor and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Moreover, many risk management techniques, including those employed by the Adviser, are based on historical market behavior, but future market behavior may be entirely different and, accordingly, the risk management techniques employed on behalf of Clients may be incomplete or altogether ineffective. Similarly, the Adviser may be ineffective in implementing or applying risk management techniques. Any inadequacy or failure in risk management efforts could result in material losses to Clients.

*Systemic Risk.* Systemic risk is the risk of broad financial system stress or collapse triggered by the default of one or more financial institutions, which results in a series of defaults by other interdependent financial institutions. Financial intermediaries, such as clearing houses, banks, securities firms and exchanges with which Clients interact, as well as Clients, are all subject to systemic risk. A systemic failure could have material adverse consequences on Clients and on the markets for the securities in which Clients seek to invest.

*Assumption of Business, Terrorism and Catastrophe Risks.* Opportunities involving the assumption by Clients of various risks relating to particular assets, markets or events may be considered from time to time. Clients' portfolios are subject to the risk of loss arising from exposure that it may incur, directly or indirectly, due to the occurrence of various events, including, without limitation, hurricanes, earthquakes, and other natural disasters, terrorism and other catastrophic events and events that could adversely affect the health or life expectancy of people. These risks of loss can be substantial, could greatly exceed all income or other gains, if any, received by Clients in assuming these risks and, depending on the size of the loss, could adversely affect the return of Clients.

*Valuation of Portfolio Holdings.* There are various conflicts of interest in connection with the valuation of Client assets, in particular, higher valuations of Client assets may result in increased asset-based and performance-based fees, and in some cases, increased compensation for personnel. In addition, inflated valuations may result in better performance which may assist in marketing for the Adviser. Conflicts of interest may be heightened in the case of assets that do not have readily ascertainable market values.

*Effects of Health Crises and Other Catastrophic Events.* Health crises, such as pandemic and epidemic diseases, as well as other catastrophes that interrupt the expected course of events, such as natural disasters, war or civil disturbance, acts of terrorism, power outages and other unforeseeable and external events, and the public response to or fear of such diseases or events, have and may in the future have an adverse effect on Clients' investments and the Adviser's operations. For example, any preventative or protective actions that governments may take in respect of such diseases or events may result in periods of business disruption, inability to obtain raw materials, supplies and component parts, and reduced or disrupted operations for Client portfolio companies. In addition, under such circumstances the operations, including functions such as trading and valuation, of the Adviser and other service providers could be reduced, delayed, suspended or otherwise disrupted. Further, the occurrence and pendency of such diseases or events could adversely affect the economies and financial markets either in specific countries or worldwide.

#### **Item 9. Disciplinary Information**

This Item is not applicable.

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

The Adviser is affiliated with SEC-registered investment adviser Coalescence Partners Investment Management, LP (the "Filing Adviser"). The Filing Adviser manages assets for Clients using a hedge fund investment strategy.

Neither the Adviser nor any of the Adviser's management personnel have any relationships or arrangements that pose material conflicts of interest to the business of the Adviser.

Each of the Clients may enter into agreements, or "side letters," with certain prospective or existing Client Investors whereby such Investors including such persons that may be affiliated with the Adviser or its related persons may be subject to terms and conditions that are more advantageous than those set forth in the Governing Documents for the Client. For example, such terms and conditions may provide for special rights to make future investments in the partnership, other investment vehicles or managed accounts; special redemption rights, including those relating to frequency or notice; a waiver or rebate in fees or redemption penalties to be paid by the and/or other terms; rights to receive reports from the Client on a

more frequent basis or that include information not provided to other Investors (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by the Client and such Investors. The modifications are solely at the discretion of the Client and may, among other things, be based on the size of the Investor's investment in the Client, an agreement by an Investor to maintain such investment in the Client for a significant period of time, or other similar commitment by an Investor to the Client.

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

The Adviser has adopted a Code of Ethics (the "Code") that obligates the Adviser to put the interests of the Adviser's Clients before its own interests and to act honestly and fairly in all respects in their dealings with Clients. In addition to compliance with the Adviser's policies and procedures, all of the Adviser's personnel are required to comply with applicable federal securities laws. Clients or prospective Clients may obtain a copy of the Code by contacting the Adviser's Chief Compliance Officer by email at [vyu@cp-im.com](mailto:vyu@cp-im.com), or by telephone at 212-603-9860. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions by related persons.

The Adviser, in the course of its investment management and other activities, may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of Clients. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a Client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to its Clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to the Client or using such information for the Client's benefit. In such circumstances, the Adviser will have no responsibility or liability to the Client for not disclosing such information to the Client (or the fact that the Adviser possesses such information), or not using such information for the Client's benefit, as a result of following the Adviser's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

In addition, the Adviser or its supervised persons invests in the same securities (or related securities, e.g., warrants, options or futures) that the Adviser or a supervised person recommends to clients. The Adviser or its supervised persons may trade in a particular security in a manner that is the same as, different from, or even opposite to the trading activity undertaken by the Adviser on behalf of its clients with respect to that same security. Such practices present a conflict when, because of the information an Adviser has, the Adviser or its supervised persons are in a position to trade in a manner that could adversely affect the Adviser's clients (e.g., place their own trades before or after client trades are executed in order to benefit from any price movements due to the clients' trades). In addition to affecting the Adviser's or its supervised person's objectivity, these practices by the Adviser or its supervised persons may also harm clients by adversely affecting the price at which the clients' trades are executed. The Adviser has adopted the following procedures in an effort to minimize such conflicts: The Adviser requires its supervised persons to preclear transactions in single name securities, certain limited offerings and initial public offerings in their personal accounts with the Chief Compliance Officer, who may deny permission to execute the transaction if such transaction will have any adverse economic impact on one of its clients. In addition, the Adviser's Code prohibits the Adviser or its supervised persons from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the Chief Compliance Officer. All of the Adviser's supervised persons are required to disclose their securities transactions on a quarterly basis. In addition, the Adviser's supervised persons are required to disclose the holdings in their personal accounts upon commencement of employment with the Adviser and on an annual basis thereafter. The Adviser's supervised persons are also required to provide monthly or quarterly brokerage statements. Trading in the personal accounts of the Adviser's supervised persons is reviewed by the Chief Compliance Officer.

To the extent that the Adviser or a related person or any personnel of the Adviser own securities that the Adviser or its related persons also recommends to clients, such clients' proxies will be voted according to predetermined guidelines rather than subject to the Adviser's (or its related person's) discretion. Please refer to Item 17 for further information regarding the Adviser's proxy voting policy and procedures.

The Adviser or a related person from time to time recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that the Adviser or related person buys or sells the same securities for its own account. In order to minimize the conflicts stemming from situations where the contemporaneous trading results in an economic benefit for the Adviser or its related person to the detriment of the client, the Adviser has adopted the procedures described above.

## **Item 12. Brokerage Practices**

The Adviser's investment strategy generally does not require the use of broker-dealers to execute market securities transactions. In the event client market securities transactions are required, the Adviser will consider a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include, but are not limited to stability, the actual executed price and the commission, research (including but not limited to economic forecasts, fundamental and technical advice on securities, valuation advice on market analysis); custodial and other services provided for the enhancement of the Adviser's portfolio management capabilities; the size and type of the transaction; the difficulty of execution and the ability to handle difficult trades; and the operational facilities of the brokers and/or dealers involved (including back office efficiency). In selecting a broker-dealer to execute transactions (or a series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a Client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate.

The Adviser currently does not recommend, request or require that a client direct the Adviser to execute transactions through a specified broker-dealer, nor does the Adviser permit clients to direct the Adviser to transact with a specific broker.

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

The investments made by the Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, the Adviser monitors companies in which the Funds invest, and the investment team periodically checks to confirm that each Fund is maintained in accordance with its stated objectives.

Investors in the Funds receive annual audited financial statements and other periodic reports from the Funds pursuant to the terms of the relevant Fund's Governing Documents.

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

The Adviser does not have any arrangements in place to compensate anyone or be compensated for the referral of Clients.

## **Item 15. Custody**

The Adviser and the General Partner are deemed to have custody of Fund assets. The Adviser intends to comply with Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended, by meeting the conditions of the pooled vehicle annual audit provision.

## **Item 16. Investment Discretion**

The Adviser will provide investment advisory services on a discretionary basis to Clients.

Prior to assuming full discretion in managing a Client's assets, the Adviser will enter into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

Unless otherwise instructed or directed by a discretionary Client, the Adviser will have the authority to determine (i) the securities to be purchased and sold for the Client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines), and (ii) the amount of securities to be purchased or sold for the Client account. Because of the differences in Client investment objectives and strategies, risk tolerances, tax status and other criteria, there will be differences among Clients in invested positions and securities held.

If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors occur, the Adviser's error correction procedure is to ensure that Clients are treated fairly. The Adviser has discretion to resolve a particular error in any manner that it deems appropriate and consistent with the above stated policy. In the event that a Client incurs a trade error as a result of the Adviser's violation of the standard of care that is applicable to the Client, the Adviser will reimburse the Client for losses attributable to such violation. Trade errors that do not result from the Adviser's violation of the standard of care applicable to the Client are borne by the Client. The Adviser is not responsible for the errors of other persons, including third party brokers and custodians, unless otherwise expressly agreed to by the Adviser.

To the extent the Adviser has authority, pursuant to the investment management agreement or other Governing Documents of a Client, to participate in class action claims (each, a "Claim") it will do so on a case-by-case basis. Once the Adviser receives a Claim, the Adviser will determine whether any Clients or former Clients of the Adviser owned the security during the period covered by the Claim. Appropriate personnel of the Adviser will determine whether they agree with the basis of the Claim and whether or not to participate in the Claim depending upon (i) the nature of the Claim; (ii) prospects for recovery; (iii) resources required to pursue the Claim; (iv) other relevant factors pertaining to the particular Claim; and (v) any other factors that the Adviser deems relevant. To the extent the Adviser receives proceeds from a Claim on behalf of a Client, including a Client, the Adviser's general policy is that only current Investors at the time of receipt of the proceeds will participate in the proceeds. The Adviser may under certain circumstances elect not to participate in the proceeds of a Claim.

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

The Funds typically invest in private companies that typically do not issue proxies. However, the Adviser may receive proxies in connection with publicly-traded portfolio companies in the future. To the extent the Adviser has been delegated proxy voting authority on behalf of its Clients, the Adviser will comply with its proxy voting policies and procedures that are designed to ensure that in cases where the Adviser votes proxies with respect to Client securities, such proxies are voted in the best interests of its Clients. The Adviser generally will vote against proposals that make it more difficult to replace members of a board of directors. For all other proposals including matters such as, without limitation, corporate events (mergers and acquisition transactions, dissolutions, conversions, or consolidations) or contested elections for directors, the Adviser will determine whether a proposal is in the best interests of the Client and may take into account the following factors, among others: (i) whether the proposal was recommended by management and the Adviser's opinion of management; (ii) whether the proposal acts to entrench existing management; (iii) whether the proposal fairly compensates management for past and future performance; and (iv) the potential effect of the vote on the value of Clients' investments.

If a material conflict of interest between the Adviser and a Client exists, the Adviser will determine whether voting in accordance with the guidelines set forth in its proxy voting policies and procedures is in the best interests of the Client or take some other appropriate action.

Clients may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted a Client's proxies by contacting the Chief Compliance Officer by email at [vyu@cp-im.com](mailto:vyu@cp-im.com) or by telephone at 212-603-9860.

**Item 18. Financial Information**

This Item is not applicable.