

# TWO SIGMA IMPACT

March 28, 2024

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**This Form ADV Part 2A Brochure provides information about the qualifications and business practices of TSPI, LP, doing business as Two Sigma Impact. If you have any questions about the contents of this brochure, please contact Two Sigma Impact at (212) 625-5700. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

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

**TSPI, LP is registered with the SEC as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.**

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### **Important Note about this Brochure**

This brochure is not:

- An offer or agreement to provide advisory services to any person;
- An offer to sell interests (or a solicitation of an offer to purchase interests) in any fund; or
- A complete discussion of the features, risks or conflicts associated with any fund or advisory service.

As required by the Advisers Act, the Adviser provides this brochure to current and prospective clients and may also, in its discretion, provide this brochure to current or prospective investors in a fund, together with other relevant offering documents, such as a fund's offering memorandum, prior to, or in connection with, such persons' investment in such a fund. The delivery of this brochure to an investor or prospective investor in a fund is not an acknowledgement that the investor or prospective investor is a client under the Advisers Act or that there is any direct client relationship with the Adviser.

Additionally, this brochure is available through the SEC's Investment Adviser Public Disclosure website. Although this publicly available brochure describes investment advisory services and products of the Adviser, persons who receive this brochure (whether or not from the Adviser) should be aware that it is designed solely to provide information about the Adviser as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this brochure may differ from information provided in relevant offering documents. More complete information about each product managed by the Adviser is included in relevant offering documents, certain of which may be provided to current and eligible prospective investors only by the Adviser. To the extent that there is any apparent conflict between discussions herein and similar or related discussions in any offering documents, the relevant offering documents shall govern and control.

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## **Item 2. Material Changes**

This Form ADV, Part 2A brochure (“Brochure”) provides information about Two Sigma Impact, a business of TSPI, LP, and its private investment fund clients. Two Sigma Impact filed its most recent Form ADV Part 2A on March 31, 2023. This annual amendment includes changes to improve and clarify the description of Two Sigma Impact’s business practices, risk factors and conflicts of interest, including risks associated with: the determination of “Impaired Value Investments” (as further detailed in Item 5 and 8), reliance on individuals, regulatory change, artificial intelligence, machine learning technologies and certain service providers, intermediate entity and investment-level borrowing in relation to fund portfolio investments, and certain other matters responsive to evolving industry best practices. This Brochure also includes disclosure in Item 4 regarding a transaction pursuant to which the Two Sigma Impact business would become an independent company and continue to manage Two Sigma Impact’s advisory clients.

TSPI, LP advises other clients under different lines of business. Such additional lines of business and the services provided thereunder are described in a separate Form ADV, Part 2A brochure for TSPI, LP available on [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## Item 4. Advisory Business

TSPI, LP (the “Adviser”) is a Delaware limited partnership that provides investment advisory services to privately offered investment funds. The Adviser commenced operations as Sightway Capital, LP in January 2018, and changed its legal name to TSPI, LP on August 18, 2020. Two Sigma Management, LLC is the general partner of the Adviser. Trusts established by John A. Overdeck and David M. Siegel are the principal owners of the Adviser. References in this Brochure to “Two Sigma” or “Two Sigma Affiliates” are to Two Sigma Investments, LP, together with the Adviser and its other affiliates.

Two Sigma Impact is a business of the Adviser that invests in companies that prioritize human capital (e.g., workforce) innovation. This Brochure relates to the investment advisory activities conducted by the Adviser under its Two Sigma Impact business line. Two Sigma Impact seeks to combine active, principled ownership with the application of data science to attain positive social and investment outcomes through investment in portfolio companies’ workforces. The Adviser has other business lines that separately manage funds and accounts with different investment strategies (such funds and accounts outside of the Two Sigma Impact business, “Non-Impact Funds,” and each, a “Non-Impact Fund”). The Adviser notes that, in October 2023, Two Sigma and members of Two Sigma Impact’s investment team agreed to certain material terms and conditions regarding a potential spinoff and separation transaction (the “Transaction”) whereby, amongst other things, FoW Partners, LP, an investment adviser newly formed by such members of Two Sigma Impact’s investment team and registered as an investment adviser with the SEC (“FoW Partners”), would manage the Impact Funds (as defined below) and operate its business as an independent company unaffiliated with the Adviser and Two Sigma. As of March 28, 2024, Two Sigma, the members of Two Sigma Impact’s investment team and FoW Partners are continuing to negotiate definitive documentation with respect to the Transaction, which would constitute a change of control of the Two Sigma Impact business and include a corresponding assignment of advisory agreements associated with the Impact Funds. Following consummation of the Transaction, the Adviser would no longer provide investment advisory services to the Impact Funds.

The Adviser’s Two Sigma Impact advisory clients consist solely of the following private investment funds. Further information regarding the investment strategy and terms of such funds are detailed in their respective offering documents.

### **Two Sigma Impact Fund**

The Adviser currently manages Two Sigma Impact Fund, LP and Two Sigma Impact Fund-A, LP, (together, the “Two Sigma Impact Fund,” and collectively with any future impact investing funds advised by the Adviser, an “Impact Fund” or the “Impact Funds”) (together with the Non-Impact Funds, the “TSPI Funds”).

The Two Sigma Impact Fund was formed to seek to generate long-term capital appreciation primarily through acquiring interests in businesses primarily organized and/or headquartered in the United States and Canada that seek, or could be caused to seek, to create “Good Jobs” within select sub-sectors of the consumer, healthcare, business services and education and training sectors, and making follow-on investments with respect thereto. The Adviser views “Good Jobs”

on a proprietary multi-factor basis that takes into account fairness, growth, purpose, leadership and associated factors. The strategies the Two Sigma Impact Fund pursues are long-term and discretionary in nature. The Two Sigma Impact Fund generally seeks to achieve returns commensurate with a corresponding level of investment and liquidity risk. As manager of the Two Sigma Impact Fund, the Adviser identifies and evaluates investment opportunities, negotiates the terms of investments, manages and monitors investments and seeks to achieve dispositions for such investments. Although investments are made predominantly in non-public companies, investments in public companies are permitted in limited circumstances.

The Two Sigma Impact Fund invests in and seeks to acquire established businesses in growing industries that the Adviser expects to thrive as technology evolves, and where the Adviser sees potential for “Workforce Impact” by (i) seeking to make a series of workforce-focused strategic, operational and investment decisions that are intended to directly improve job quality among its portfolio companies; (ii) seeking to indirectly increase workforce job quality by targeting a portfolio that includes, in part, certain businesses that promote education and training within the workforce; and (iii) broadly sharing its learnings as a strategy to increase job quality throughout the workforce. The Adviser will further seek to leverage Two Sigma’s data science capabilities in order to measure job quality, unlock human potential, improve job quality in the workforce and improve financial performance.

Some of a Two Sigma Impact Fund’s investments may focus on enabling businesses that seek to act as catalysts to transform disrupted workers into competitors for tomorrow’s jobs, particularly “middle skills” jobs (e.g., jobs that may require specialized training but not a college degree), while others may be emerging business models with the potential to be enabled by technology and to create Good Jobs, including jobs of all skill levels. Where such investments consist of portfolio companies, the senior principals or other personnel of the Adviser or its affiliates generally serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies in which a Two Sigma Impact Fund has invested.

Investors in an Impact Fund (generally referred to herein as “investors” or “limited partners”) participate in the overall investment program for such fund, but in certain circumstances may be excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the relevant Fund Agreement (as defined below). Such arrangements generally do not and will not create an adviser-client relationship between the Adviser and any investor. An Impact Fund or the applicable general partner entity generally enters into side letters or other similar agreements (“Side Letters”) 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 Agreement with respect to such investors. Other than those restrictions set forth in the applicable Fund Agreement, investors generally may not impose restrictions on investing in certain securities or certain types of securities.

## **Co-Investments**

The Adviser has provided, and as permitted and required by the pertinent Fund Agreement, expects to continue to provide (or agree to provide), co-investment opportunities (including the opportunity to participate in co-invest vehicles and fund-of-one vehicles) to certain current or prospective investors or other persons, including other sponsors, market participants, finders,

consultants and other service providers, portfolio company management or personnel, the Adviser's personnel (or their estate planning or other similar vehicles) and/or certain other persons associated with the Adviser and/or its affiliates (*e.g.*, a vehicle formed by the Adviser's principals to co-invest alongside the relevant Impact Fund's transactions). For strategic and other reasons, co-investors or co-invest vehicles (including co-investing funds) have purchased, and in the future are expected to purchase, a portion of an investment after the relevant Impact Fund has consummated its investment in the applicable portfolio company (also known as a post-closing sell-down or transfer), which generally will have been funded through Impact Fund investor capital contributions and/or use of an Impact Fund credit facility. Any such purchase from an Impact Fund by a co-investor or co-invest vehicle generally occurs shortly after the Impact Fund's completion of the investment to avoid any changes in valuation of the investment, but in certain instances could be well after the Impact Fund's initial purchase. Where appropriate, and in the Adviser's sole discretion, the Adviser reserves the right to charge interest on the purchase to the co-investor or co-invest vehicle (or otherwise equitably to adjust the purchase price under certain conditions), and to seek reimbursement to the relevant Impact Fund for related costs. However, to the extent any such amounts are not so charged or reimbursed (including charges or reimbursements required pursuant to applicable law), they generally will be borne by the relevant Impact Fund.

The Adviser's advisory services to the Impact Funds are detailed, as applicable, in the relevant private placement memoranda or other offering documents (each, a "Memorandum"), investment management agreements, limited liability company or other operating agreements or governing documents of each Impact Fund (each, a "Fund Agreement") and are further described below under "Methods of Analysis, Investment Strategies and Risk of Loss." In performing investment advisory services for the Impact Funds, the Adviser relies on Two Sigma to provide advisory personnel and certain services, which are described in greater detail in Item 8 below.

As of December 31, 2023, the Adviser has regulatory assets under management of \$536,986,075 attributable to its Two Sigma Impact business, all of which it manages on a discretionary basis.

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## Item 5. Fees & Compensation

In general, the Adviser receives a management fee and a carried interest in connection with the provision of its advisory services to its clients under its Two Sigma Impact business line. The Adviser, or other Two Sigma entities or affiliates, receive additional compensation in connection with management and other services performed for portfolio companies of the Impact Funds and such additional compensation will not, in all cases, offset the Management Fee (as defined below) otherwise payable to the Adviser to the extent provided by the applicable Fund Agreement. In addition, in certain circumstances the Adviser receives compensation for management and other services performed in connection with co-investments made in portfolio companies of the Impact Funds. Investors in the Impact Funds also bear certain expenses.

### Management Fees

An Impact Fund will generally pay the Adviser or its affiliate, quarterly in advance, a management fee, as more fully described in the applicable Fund Agreement (“Management Fee”). Investors participating in a closing after the initial closing of an Impact Fund typically bear a Management Fee from the date of the initial closing. As more fully described in the applicable Fund Agreement, the Management Fee for an Impact Fund is generally equal to 2.0% of aggregate commitments, subject to separate agreement, and converting after a designated investment period to be based upon aggregate investment contributions not associated with investments that have been disposed of or permanently written down. The Management Fee for an Impact Fund is typically “offset” or reduced by an amount equal to certain fees (“Transaction Fees”) received by the Adviser or certain persons affiliated with the Adviser, subject to certain exclusions. As described in greater detail in the applicable Fund Agreement, Transaction Fees include certain closing fees, investment banking fees, commitment fees, breakup fees, litigation proceeds from transactions not consummated, monitoring fees, consulting fees, directors’ fees and other similar fees (whether in the form of cash, securities or otherwise) received by the Adviser or certain persons affiliated with the Adviser from portfolio companies or prospective investments, less certain reimbursements. Various costs and expenses will reduce Transaction Fees (and thereby the amounts by which the Management Fee will be reduced), including out-of-pocket costs and expenses. As described in greater detail in the following paragraphs, the amount of Management Fees generally will not be reduced based on reductions in investment value, except where specified by the relevant Fund Agreement. As a general matter, Management Fees will be payable during term extensions unless otherwise agreed with investors.

As is generally the case in private equity funds, the Fund Agreements provide that an Impact Fund’s Management Fees will be calculated and charged on a basis that generally is not tied to the Impact Fund’s then-current net asset value. As further specified in the applicable Impact Fund’s Fund Agreement, for the period from the effective date of an Impact Fund until the last day of the quarterly period during which a date specified in such Fund Agreement occurs (representing the earliest to occur of (i) the end of the Impact Fund’s defined investment period, (ii) six months after the occurrence of a key person event (unless continuing investment approval is obtained) and (iii) the date the relevant general partner (or an affiliate thereof) first begins receiving or accruing Management Fees from another investment fund meeting certain criteria) (the “Stepdown Date”) until the expiration of the Impact Fund’s term pursuant to the relevant Fund Agreement (inclusive



of any extensions under such agreement), Management Fees generally will be charged based on the amount of the relevant Impact Fund's aggregate commitments. Further, during such period after the Stepdown Date, Management Fees generally will be charged and calculated based on the aggregate amount of investment contributions made or payable (including, as required by the applicable Fund Agreement, a Fund borrowing component and any unrecouped bridge financing contributions) relating to the Fund's aggregate investments in its portfolio companies (or a portion thereof, as applicable) that have not yet been (i) disposed of or realized (in whole or in part) or (ii) otherwise permanently written down in a manner that requires a reduction in the Impact Fund Management Fee base pursuant to the applicable Fund Agreement (such investments with a reduced Management Fee base pursuant to the applicable Fund Agreement as a result of (i) or (ii) above, as applicable, "Impaired Value Investments"). After the expiration of the Impact Fund's term pursuant to the relevant Fund Agreement (inclusive of any extensions under such agreement), the Management Fee is determined by the Adviser in consultation with, and subject to approval by, such Impact Fund's Advisory Board (as defined below).

Pursuant to the Fund Agreements, even where the fair market value of an investment falls below the total amount of investment contributions relating to such investment, post-Stepdown Date Management Fees will generally not be calculated based upon the depreciated value (other than depreciation resulting in an investment being an Impaired Value Investment pursuant to the applicable Fund Agreement), and will instead continue to be calculated based on the amount of investment contributions as described above. Conversely, the Fund Agreements for the Impact Funds generally do not require the Impact Fund Management Fee to be reduced or refunded following the occurrence of a write-down, decrease (including a significant decrease) in fair value or other event not constituting a disposition or realization, such as a reorganization, roll-over investment in connection with a sale or dividend distribution, except to the extent such event results in an investment meeting the relevant Impaired Value Investment standard under the applicable Impact Fund's Fund Agreement. Further, even where there has been a partial distribution, partial write-down (even if permanent) or partial disposition or realization of an investment, if the fair market value of the investment following such event exceeds the total amount of investment contributions relating to such investment, post-Stepdown Date Management Fees pursuant to the Fund Agreements will generally not be calculated based upon the depreciated value, or otherwise reduced, as a result of such events, and will instead continue to be calculated based on the amount of investment contributions as described above.

As a result, and as is generally the case for private equity funds, the amount of Impact Fund Management Fees generally will not correspond with fluctuations in an Impact Fund's net asset value of an Impact Fund's individual investments in the Fund, including following the relevant investment period, and will not be reduced or refunded in connection with any write-downs (other than permanent write-downs to the extent specified in the applicable Impact Fund's Fund Agreement), except in the case of Impaired Value Investments. The applicable Impact Funds' Fund Agreements set forth the full list of terms under which Impact Fund Management Fees will be reduced, offset or otherwise be limited (*e.g.*, those resulting from a dividend recapitalization or reorganizations, restructurings, roll-over investments, extraordinary dividends or similar transactions, in each case in circumstances that do not result in the disposition or realization of the relevant Impact Fund's interest therein, and even in cases where the value of the Impact Fund's investment or the Impact Fund's ownership percentage in such investment has been reduced (including substantially reduced) as a result of such transaction), and investors should expect to bear the full specified Impact Fund Management Fee in the governing documents until the date(s)

specified therein. In many circumstances, the Impact Fund Management Fee base will include capitalized transaction-specific expenses of unrealized investments. Further, Impact Fund Management Fees generally will not be reimbursed or refunded under the Impact Funds' Fund Agreements in the event of realizations, dispositions, write-downs or write-offs that occur partway through the relevant payment period.

As a matter of practice, the Adviser expects that it will be paid Transaction Fees from, on behalf of or with respect to co-investors in an investment of an Impact Fund, as well as other fees relating to the structuring and administration of co-investment arrangements. The receipt of such fees will not reduce the Management Fee payable by an Impact Fund. As a result, an Impact Fund will, in most cases, benefit only with respect to the relevant allocable portion (on a fully diluted basis) of any such fee and not any portion related to (i) general partner or affiliated partner commitments (which may be significant) or (ii) co-investors or potential co-investors in an investment of an Impact Fund (which could include co-investment vehicles managed by the Adviser, service providers, third parties, current or former portfolio company management or personnel, sellers that have rolled their interest or reinvested proceeds in the portfolio company and/or others); or (iii) the value of profits, participation or equity interests in or relating to the relevant portfolio company, including interests owned by current or former portfolio company management, which have the potential to be significant. In certain circumstances, the Adviser expects to agree to allow co-investors or other parties, to share a portion of the Transaction Fees from a particular investment, and any applicable reduction in the management fee will be applied after excluding any amounts paid to such persons. Additionally, as further described below and in the applicable Fund Agreement, the Adviser may retain certain Affiliated Service Providers (as defined below) to provide services to (or with respect to) certain portfolio companies of an Impact Fund. Such Affiliated Service Providers may receive compensation and other amounts described herein from the relevant portfolio companies or Impact Fund to which they provide services, but no such amounts would result in additional offsets to the management fee.

## **Performance-Based Compensation**

An Impact Fund's general partner is generally entitled to receive a carried interest with respect to such Impact Fund subject to a preferred return, as more fully described in the applicable Fund Agreement. The carried interest distributed to the applicable general partner is subject to a potential clawback or giveback at the end of life of an Impact Fund if the applicable general partner has received excess cumulative distributions and at certain interim intervals as provided in the Fund Agreement. The Adviser's investment professionals and certain other personnel (including, among others, specialists in fund management, portfolio operations, transaction structuring and management, risk and analytics, the "Two Sigma Impact Team") as well as certain personnel of Two Sigma will generally receive a portion of the carried interest or other compensation received by the Adviser or its affiliates.

## **Other Fees and Expenses**

In addition to the management fee and carried interest payable to the Adviser, Impact Funds bear certain expenses. As set forth more fully in the applicable Fund Agreement (and subject to the specific terms set forth therein), an Impact Fund bears all fees, costs, expenses, liabilities and obligations relating to such Impact Fund's (and its subsidiaries' and intermediate entities') activities, investments and business to the extent not reimbursed by a portfolio company or applied

to reduce the Impact Fund Management Fee; but not the Adviser's ordinary overhead and administrative expenses (such as compensation of its internal legal, accounting, administrative or compliance personnel).

An Impact Fund also bears expenses indirectly to the extent a portfolio company (or intermediate entity) pays expenses, including expenses of the Adviser and/or its affiliates; the relative percentage of these expenses that are borne by various stakeholders (including the relevant Impact Fund, any co-investors, portfolio company management and other persons) is expected to depend upon the level at which such expenses are charged or incurred. The Impact Fund's general partner reserves the right to agree with operating partners, joint venture or similar partners, service providers, portfolio company management or other persons that all or a portion of certain expense reimbursements, payments or other amounts owed to such persons relating to one or more investments will be paid in the form of a profits interest granted in the relevant investments or related intermediate entities. While such an arrangement could be more favorable to the relevant Impact Fund if the investment does not increase in value, in the event of appreciation in the relevant investment any such profits interest generally would have a dilutive impact on an Impact Fund's investment, as well as the potential to result in economic gains to the recipient greater than the original amount of compensation. Excluded from an Impact Fund's expenses are ordinary administrative and overhead expenses of such Impact Fund's general partner incurred in connection with maintaining and operating its office (including salaries, rent and equipment expenses) to the extent not borne or reimbursed by a portfolio company. As is typical for private equity funds, an Impact Fund likely bears additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds. In limited circumstances, an Impact Fund is expected to pay an expense common to multiple TSPI Funds and/or co-investors (including without limitation legal expenses for a transaction in which such Impact Fund and other TSPI Funds and/or co-investors participate, or other fees or expenses in connection with services the benefit of which are received by an Impact Fund and one or more other TSPI Funds and/or co-investors over time), and be reimbursed by such other TSPI Funds by their share of such expense, without interest. While the Adviser believes such circumstances to be highly unlikely, it is possible that one of such other TSPI Funds could default on its obligation to reimburse the paying Impact Fund. In certain circumstances, the Adviser is expected to advance amounts related to the foregoing and receive reimbursement from such other TSPI Funds to which such expenses relate. The decision of the Adviser to cover a portion of any of the above costs or expenses at a given time for an Impact Fund does not preclude a later decision to charge these costs and expenses to any other Impact Fund, or to that same Impact Fund in the future, so long as the charge is permissible under the applicable Fund Agreement(s). Each Impact Fund also generally will bear the costs of implementing, reporting (as applicable), monitoring and complying with investment guidelines and directives relating to the Impact Fund's strategy, including in Side Letters relating thereto, and (if and where applicable) environmental, social, governance and other standards to which the relevant General Partner has committed in making investments on behalf of an Impact Fund. Additionally, subject to the Fund Agreement, an Impact Fund typically will bear certain unreimbursed expenses of portfolio companies and intermediate holding vehicles through which the Impact Fund invests.

As described above, in certain circumstances, an Impact Fund's general partner is expected to permit certain investors to co-invest in portfolio companies alongside an Impact Fund, subject to the Adviser's related policies and practices and the applicable Fund Agreement and/or Side Letter(s). Where a co-invest vehicle 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 an Impact Fund (including management fees and performance-based compensation). Generally, the Adviser will advance amounts related to the foregoing and receive reimbursement from the respective Impact Fund or co-invest vehicle. However, unless otherwise specified in the applicable Fund Agreement, in the event that a transaction in which a co-investment was planned, including a transaction for which a co-investment was believed necessary in order to consummate such transaction or would otherwise be beneficial, in the judgment of the Adviser, ultimately is not consummated, all fees and expenses, or other liabilities or obligations, incurred for transactions not consummated (“Broken Deal Expenses”) relating to such proposed transaction and other expenses relating to the diligence or evaluation of a prospective investment will be borne by the investors within the relevant Impact Fund(s), and, except in limited circumstances, not by any potential co-investors, that were to have participated in such transaction. To the extent that such co-investors have already executed definitive documentation to invest in connection with such transaction, such co-investor or vehicle, as applicable, is expected to bear its *pro rata* share of such Broken Deal Expenses (including those relating to the diligence or evaluation of a prospective investment) where permitted by such vehicle’s governing documents. The Adviser’s practice of allocating broken deal expenses among investing Funds is discussed under “Conflicts of Interest” below. In addition, in certain circumstances, the Adviser receives compensation for management and other services performed in connection with co-investments made in portfolio companies of an Impact Fund. To the extent an Impact Fund makes use of a credit facility to invest in a portfolio company or pay related expenses, it generally will not be reimbursed separately by co-investors for the costs of establishing, negotiating, or maintaining the facility as a whole.

The Adviser and/or its affiliates generally have discretion over whether to charge transaction fees, monitoring fees, consulting fees, directors’ fees or other compensation to a portfolio company and, if so, the rate, timing and/or amount of such compensation, as well as to charge such amounts at varying levels in a portfolio company’s holding or operating structure. In most circumstances, such compensation is not reviewed or approved by an independent third party. The receipt of such compensation generally will give rise to conflicts of interest between an Impact Fund, on the one hand, and the Adviser, an Impact Fund’s general partner and/or their affiliates on the other hand.

Additionally, subject to the applicable Fund Agreement, the Adviser may retain Affiliated Service Providers (as further defined in Item 8 below) to provide data science, marketing, technology, acquisition, integration, rationalization and/or other operations services or due diligence, or similar services to an Impact Fund, its related investment vehicles or a portfolio company. In certain circumstances, these services may also include serving in management or policy-making positions for portfolio investments. Affiliated Service Providers may receive compensation, including, but not limited to cash fees, retainers, discretionary bonuses (whether or not based on pre-determined milestones), transaction fees, a profits or equity interest in one or more Impact Funds or their general partners, remuneration from the Adviser and/or an Impact Fund or affiliates 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 Affiliated Service Provider, a percentage of the value of the portfolio company, the invested capital exposed to the portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such company. Compensation in the form of profits, participation or equity interests in a portfolio company or intermediate holding company generally has a dilutive impact on an Impact Fund’s investment, and has the potential to

result in economic effects greater than the original amount of compensation, and the relevant Impact Fund typically will bear the costs of all Affiliated Service Provider compensation as well as fees, costs and expenses of structuring Affiliated Service Provider's arrangements. None of the amounts set forth above would offset an Impact Fund's management fee.

The Adviser is generally permitted to exempt certain investors in an Impact Fund from payment of all or a portion of such Impact Fund's management fee and/or carried interest, including the Adviser and any other person designated by the Adviser, such as "friends and family" of the Adviser or it or its affiliate's personnel (or their estate planning or other similar vehicles), or other investors meeting certain qualification requirements based on commitment size or other strategic or relationship factors. An Impact Fund's general partner reserves the right to make any such exemption from fees and/or carried interest by a direct exemption, a rebate by the Adviser and/or its affiliates, or through other funds which co-invest with an Impact Fund. For example, in instances where an Adviser professional (or an entity affiliated with the Adviser) invests in an Impact Fund, such professional (or such affiliated entity) generally will be exempt from payment of the management fee and/or carried interest with respect to such Impact Fund. Additionally, to the extent permitted by the relevant Fund Agreement, the Adviser generally has the right to permit investors, affiliated with the Adviser or otherwise, to invest through the relevant general partner or other vehicles that do not bear an Impact Fund's management fee or carried interest. In general, the management fee offsets described above apply only with respect to the capital commitments of fee-paying investors.

Principals or other personnel of the Adviser generally receive salaries and other compensation derived from, and in certain cases including a portion of, the management fee, carried interest or other compensation received by the Adviser or its affiliates.

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

As described under “Item 5. Fees and Compensation,” the Adviser generally receives a management fee and carried interest in connection with the provision of its advisory services to its clients under its Two Sigma Impact business line, although it will generally have the authority to waive such management fee or carried interest with respect to certain investors. Differing fee structures (including varying carried interest terms with respect to amount, timing, waterfall conditions or other terms) and/or differences in proprietary ownership of an Impact Fund by the Adviser or its affiliates could create an incentive for the Adviser to favor one Impact Fund or TSPI Fund over another in the allocation of investment opportunities. Determining which investments to allocate to an Impact Fund or TSPI Fund and at what price creates a conflict of interest for the Adviser, which is discussed under “Item 11. Code of Ethics, Participation or Interest in Fund Transactions & Personal Trading.”

The existence of performance-based compensation has the potential to create an incentive for the Adviser to operate the relevant Impact Fund in a riskier, more speculative or other manner less favorable to investors than it would otherwise make in the absence of such arrangement, although the Adviser generally considers performance-based compensation to better align its interests with those of its investors, particularly in instances where the governing documents include terms requiring clawback or giveback of performance-based compensation amounts under certain circumstances at the end of the relevant Impact Fund’s life or at certain interim intervals.

Additionally, to the extent that the compensation of the Adviser’s personnel varies from fund to fund, such personnel are subject to potential conflicts of interest, to the extent they are involved in managing portfolio companies for funds from which they are entitled to receive greater compensation.

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

The Adviser's Two Sigma Impact business currently provides investment advice solely to the Two Sigma Impact Fund and certain related co-investment vehicles where applicable. References throughout this Brochure to "clients" and to the Adviser's related duties to and practices on behalf of its Two Sigma Impact clients and/or investors should be construed accordingly. Each of Two Sigma Impact Fund, LP and Two Sigma Impact Fund-A, LP is a limited partnership formed under the laws of the State of Delaware and each operates as an exempt investment pool under the U.S. Investment Company Act of 1940, as amended.

The investors participating in an Impact Fund, and any respective co-investment vehicle, generally include individuals, banks or thrift institutions, other investment entities, university endowments, state and municipal pension plans or investment agencies, sovereign wealth funds, family offices, pension and profit sharing plans, trusts, estates or charitable organizations or other corporations or business entities and often include, directly or indirectly, principals or other personnel (or their estate planning or other similar vehicles) of the Adviser and its affiliates and members of their families. The relevant general partner also is generally permitted to establish funds that are alternative investment vehicles in order to permit certain investors to participate in one or more particular investment opportunities in a manner desirable for tax, regulatory or other reasons. Alternative investment vehicle sponsors generally have limited discretion to invest the assets of these vehicles independent of limitations or other procedures set forth in the organizational documents of such vehicles and the related Fund.

With respect to an Impact Fund, initial and additional subscription minimums, if any, are disclosed in the relevant Memorandum or Fund Agreement, as applicable. The Adviser is generally permitted to waive, reduce or modify such subscription minimums, subject to certain limitations in accordance with applicable law or regulation.

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

An investment in an Impact Fund involves significant risks, conflicts of interest and other considerations and, therefore, should be undertaken only by prospective investors capable of evaluating and bearing such risks. An Impact Fund's returns may be unpredictable and an Impact Fund's investment programs are not suitable as the sole investment vehicle for an investor. A prospective investor should only invest in an Impact Fund as part of a broad overall investment strategy, and only if the prospective investor is able to withstand both extended periods of illiquidity and a total loss of its investment. Prospective investors should carefully consider, among other factors, the matters described below, each of which could have an adverse effect on the value of the limited partner interests in an Impact Fund. There can be no assurance that the Adviser or an Impact Fund will achieve their investment objectives, and a loss of investment is possible. As a result of these factors, as well as other risks inherent in any investment, there can be no assurance that an Impact Fund will meet its investment objectives or otherwise be able to successfully carry out its investment program.

The Adviser's discretionary investment advisory services with respect to an Impact Fund consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments. Although investments are made predominantly in non-public companies, investments in public companies are permitted in limited circumstances. The strategies an Impact Fund pursues are long-term in nature and generally include investment lock-up provisions. The following list is not a complete list of all risks and other considerations involved in connection with an investment in an Impact Fund. Prospective investors should consult the relevant Memorandum, Fund Agreement and subscription agreement, as applicable, of an Impact Fund.

### Risks of Investment

***Business Risks.*** There can be no assurance that an Impact Fund will be able to generate returns for investors or that the returns will be commensurate with the risks of holding and investing in the types of investments, assets or companies and transactions that an Impact Fund will pursue. There can be no assurance that any investor will receive any distribution from an Impact Fund. An Impact Fund's portfolio companies involve a high degree of business and financial risk that can result in substantial losses, and all investments involve the risk of loss of capital. Accordingly, an investment in an Impact Fund should only be considered by persons who can afford a loss of their entire investment as part of an overall investment strategy.

***Uncertain Exit Strategies.*** Due to the illiquid nature of an Impact Fund's portfolio companies, the Adviser is unable to predict with confidence what the exit strategy will ultimately be for any given position, or that one will definitely be available. Exit strategies that appear to be viable when an investment is initiated (or at the time that the investments are contributed to an Impact Fund, as applicable) may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors. Certain assets of an Impact Fund are expected to



be self-liquidating and it is possible that there will be no means to exit the holding, even if the Adviser's view as to potential future performance of the portfolio company has changed.

***Concentration of Investments.*** An Impact Fund will 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 an Impact Fund may be materially affected by the performance of a single investment or a single industry segment.

***Diverse Investors.*** Investors may have conflicting investment, tax and other interests with respect to their investments in an Impact Fund and with respect to the interests of investors in other investment vehicles managed or advised by the Adviser that may participate in the same investments as an Impact Fund. The conflicting interests of individual investors with respect to other investors and investors in other investment vehicles would generally relate to or arise from, among other things, the nature of investments made by an Impact Fund and such other investment vehicles, the structuring or the acquisition of investments, and the timing of disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by the Adviser, including with respect to the nature or structuring of investments, which likely will be more beneficial for one or more (but not all) investors than for another investor, especially with respect to investors' individual tax situations. In addition, an Impact Fund may make investments that may have a negative impact on related investments made by investors in separate transactions. In selecting and structuring investments appropriate for an Impact Fund, the Adviser will consider the investment and tax objectives of an Impact Fund and its investors as a whole (and those of investors in other investment vehicles managed or advised by the Adviser that participate in the same investments as an Impact Fund), not the investment, tax, or other objectives of any investor individually. In addition, certain investors are, and others in the future are expected to also be, investors in other investment funds sponsored or managed by the Adviser, including co-investment vehicles that may invest alongside an Impact Fund in one or more investments. Investors are expected in certain circumstances to include affiliates of the Adviser, such as affiliates of the portfolio companies of the Adviser or other funds, charities or foundations associated with the Adviser's personnel and/or current or former personnel of the Adviser (or their estate planning or other similar vehicles), the Adviser's senior advisors and any such affiliates, funds or persons expect to invest through the vehicles established in connection with the Adviser's side-by-side co-investment rights. It is also possible that an Impact Fund's portfolio companies will be counterparties (such counterparties dealt with on an arm's-length basis) or participants in agreements, transactions or other arrangements with an investor or an affiliate of an investor. Such investors described in the previous sentences may therefore have different information about the Adviser and an Impact Fund than investors not similarly positioned. In addition, conflicts of interest may arise in dealing with any such investors, and the Adviser may not be motivated to act solely in accordance with its interests relating to an Impact Fund. Similarly, not all investors monitor their investments in vehicles such as an Impact Fund in the same manner. For example, certain investors may periodically request from the Adviser information regarding an Impact Fund and investments and/or portfolio companies that is not otherwise set forth in (or has yet to be set forth) in the reporting and other information required to be delivered to all investors, for instance, pre-quarterly reporting valuation. In such circumstances, the Adviser may provide such information to such investor, but because it has provided such information upon request by one or more investors does not mean the Adviser will be obligated to affirmatively provide such information to all investors (although the Adviser will generally provide the same information

upon request and treat investors equally in that regard). As a result, certain investors (particularly investors that are affiliated with the Adviser and/or an Impact Fund) will likely have more information about an Impact Fund, and/or will likely receive information about an Impact Fund at an earlier time, than other investors, and the Adviser will have no duty to ensure all investors seek, obtain or process the same information regarding an Impact Fund and its portfolio companies.

***Environmental, Social and Governance (“ESG”) Matters.*** The Adviser’s Two Sigma Impact business line maintains an ESG policy (the “ESG Policy”) and expects to integrate certain ESG factors into its investment process in accordance with its policy and subject to its fiduciary duty and any applicable legal, regulatory or contractual requirements. Applying ESG factors to investment decisions is subjective by nature, and the Adviser expects to be subject to competing demands from different investors and stakeholder groups with divergent views on ESG (including the role of ESG factors in the investment process). There is no guarantee that the criteria utilized by the Adviser, or any judgment exercised by the Adviser, will reflect the beliefs, values, internal policies or preferred practices of any particular investor or other asset manager or reflect market trends. In addition, the Adviser’s ESG and associated ESG practices, as well as the ESG Policy, are expected to evolve over time. Although the Adviser acknowledges that the integration of ESG factors could provide an opportunity to seek to enhance or protect the performance of its investments over the long-term, the Adviser cannot guarantee that its ESG program or any integration of ESG factors will positively impact the performance of any individual investment or Fund. For avoidance of doubt, however, the Adviser does not expect to subordinate a Fund’s investment returns or increase a Fund’s investment risk as a result of (or in connection with) the consideration of any ESG factors.

The materiality of ESG factors depends on many considerations, including relevant industry, location, asset class, and investment strategy. ESG factors, issues, and considerations do not apply in every instance, and will vary by Fund and investment. In addition, in evaluating an investment, the Adviser expects to depend upon information and data provided by a number of sources, including the relevant investments and/or various reporting sources, which could be incomplete, inaccurate or unavailable, and which could cause the Adviser to incorrectly assess a company’s ESG practices and/or related risks and opportunities. The Adviser does not intend independently to verify all ESG information reported by investments or third parties. Further, considering ESG qualities when evaluating an investment could result in the selection or exclusion of certain investments based on the Adviser’s view of certain ESG-related and other factors and could cause the relevant Impact Funds not to make an investment that they would have made or to make a management decision with respect to an investment differently than they would have made in the absence of the ESG policy and practices. The Adviser will further differ in the types of ESG factors that are applied, and the degree of adherence to such factors, as between the investment activities of Two Sigma Impact and its other investment advisory business lines.

Further, ESG practices are evolving rapidly and there are different principles, frameworks, methodologies, and tracking tools being implemented by asset managers. The Adviser’s adherence to various such principles, frameworks, methodologies and tools is expected to vary over time. There is also a growing regulatory interest across jurisdictions in improving transparency regarding how asset managers identify and manage financially material ESG risks, as well as how they define and measure ESG performance. At the same time, anti-ESG sentiment has also gained momentum across the U.S., with several states and Congress having proposed or enacted “anti-ESG” policies, legislation, or initiatives or issued related legal opinions on the definition, measurement and disclosure of ESG factors.

The Adviser's ESG approach, including the ESG Policy, could become subject to additional regulation, regulatory scrutiny, penalties or enforcement in the future, and the Adviser cannot guarantee that its current approach will meet future regulatory requirements or predict the manner in which any such future requirements, reporting frameworks or best practices, increasing the risk of related enforcement. Compliance with new requirements is expected to lead to increased management burdens and costs.

***Impact of Government Regulation, Reimbursement and Reform.*** Certain industry segments in which an Impact Fund invests, including various segments of the healthcare industry, are (or may become) (i) highly regulated at both the federal and state levels in the United States and internationally and (ii) subject to frequent regulatory change. Certain segments may be highly dependent upon various government (or private) reimbursement programs. While each Impact Fund intends to invest in companies that seek to comply with applicable laws and regulations, the laws and regulations relating to certain industries, including in particular the healthcare industry, are complex, may be ambiguous or may lack clear judicial or regulatory interpretive guidance. An adverse review or determination by any applicable judicial or regulatory authority of any such law or regulation, or an adverse change in applicable regulatory requirements or reimbursement programs, could have a material adverse effect on the operations and/or financial performance of the companies in which an Impact Fund invests. By way of example, the financial services industry has been, and will likely continue to be, significantly impacted by recent legislative changes, and various U.S. federal, state or local or non-U.S. legislative proposals related to such industries are expected to be introduced, which, if adopted, could have a significant impact on such industries in general and/or on companies in which the Private Investment Funds have invested.

Additionally, the SEC has proposed and enacted significant rules that will impact the business of the Adviser and each Impact Fund. In particular, the SEC has adopted a number of new rules that impose significant changes on private fund advisers and their management of private funds, and the SEC is expected to propose and/or adopt additional rules in the future. Such current and future rulemaking is expected to materially impact the Adviser and its affiliates, the Impact Funds and/or their investments, including by increasing costs relating to investor reporting and disclosures. Significant time and resources are expected to be required to comply with the new regulations, which potentially will detract from the time and resources dedicated to any Impact Fund. Certain rules are or may become subject to legal challenge from private fund industry groups and others, and to the extent such legal challenges are successful, investors will not be afforded some or all of the protections provided by these rules.

***Financial Institution Risk; Distress Events.*** An investment in an Impact Fund is subject to the risk that one of the Impact Fund's banks, brokers, hedging counterparties, lenders or other custodians of some or all of the Impact Fund's assets (each, a "Financial Institution") fails to perform its obligations or experiences insolvency, closure, receivership or other financial distress or difficulty, similar to that experienced by Silicon Valley Bank and Signature Bank in March 2023 (each, a "Distress Event"). Distress Events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance or accounting irregularities. In the event a Financial Institution experiences a Distress Event, the Adviser, the Impact Funds and/or their portfolio companies may not be able to access deposits, borrowing facilities or other services for an extended period of time or ever. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation ("FDIC"), in the case of banks,

or the Securities Investor Protection Corporation (“SIPC”), in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose increased risk of loss. Although in recent years governmental intervention has resulted in additional protections for depositors, there can be no assurance that governmental intervention will be successful or avoid the risk of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event has a potentially adverse effect on the ability of the Adviser to manage the Impact Funds and their investments, and on the ability of the Adviser, any Impact Fund and/or portfolio companies to maintain operations, which in each case could result in significant losses and unconsummated investment acquisitions and dispositions. Such losses have the potential to cause an Impact Fund to pay fees and expenses in the event an Impact Fund is not able to close a transaction (whether due to the inability to draw capital on a credit line provided by a Financial Institution experiencing a Distress Event, the inability of investors to make capital contributions or otherwise), as well the inability of an Impact Fund to acquire or dispose of investments at prices that the relevant general partner believes reflect the fair value of such investments and/or the inability of portfolio companies to make payroll, fulfill obligations and maintain operations. Although the Adviser expects to exercise contractual remedies under the agreements with Financial Institutions in the event of a Distress Event, there can be no assurance that such remedies will be successful or avoid losses or delays.

Many Financial Institutions require, as a condition to using their services or otherwise, that the Adviser and/or the relevant Impact Fund maintain all or a set amount or percentage of their respective accounts or assets with a Financial Institution acting as a custodian, which heightens the risks associated with a Distress Event with respect to such custodian. Although the Adviser seeks to do business with custodians that it believes are creditworthy and capable of fulfilling their respective obligations to the Impact Funds, the Adviser is under no obligation to use a minimum number of custodians with respect to any Impact Fund, or to maintain account balances at or below the relevant insured amounts.

***Illiquidity; Lack of Current Distributions.*** An investment in an Impact 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. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating an Impact Fund (including the fees payable to the Adviser) may exceed its income, thereby requiring that the difference be paid from an Impact Fund’s capital, including unfunded commitments to an Impact Fund. Further, investments by an Impact Fund may be in illiquid securities or assets that are difficult to value.

***Leveraged Investments.*** An Impact Fund or its portfolio company or intermediate entity is permitted in certain instances by the applicable Fund Agreement(s) to make use of leverage for all or a portion of certain investments, whether on a temporary or long-term basis including indebtedness under credit facilities or through other debt instruments. Leverage generally magnifies both an Impact Fund’s and the portfolio companies’, as applicable, opportunities for gain and its risk of loss. 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. The use of leverage by an Impact Fund or a portfolio company will also result in fees, interest expense and other costs to an Impact Fund or portfolio company that may not be covered by distributions made to an Impact Fund or appreciation of its investments, or the operating income of a portfolio company, as applicable. While it is anticipated that fund-level borrowings generally will be subject to limitations set forth in the governing documents and interim in nature, asset-level leverage generally will not be subject to limitations, including with respect to the amount of time such leverage may remain outstanding. The use of leverage also imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and potentially will constrain its ability to operate its business as desired and/or finance future operations and capital needs. The leveraged capital structure of certain portfolio companies of an Impact Fund will increase the exposure of an Impact Fund's investments to any deterioration in a portfolio companies' condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of an Impact Fund's investments in the leveraged portfolio companies in a down market. These risks generally are expected to increase as interest rates rise, including in circumstances where a portfolio company's creditworthiness is such that it must borrow at higher interest rates than are available to the relevant Impact Fund. In the event any portfolio company cannot generate adequate cash flow to meet its debt service, an Impact Fund may suffer a substantial or total loss of capital invested in the portfolio company, which could adversely affect the returns of an Impact Fund. Furthermore, should the credit markets be limited or costly at the time an Impact Fund determines that it is desirable to sell all or a part of a portfolio company, such Impact Fund may not achieve an exit multiple or enterprise valuation consistent with its forecasts. Moreover, the portfolio companies in which an Impact Fund will invest generally will not be rated by a credit rating agency. Except where otherwise required by the relevant governing documents, an Impact Fund will not be obligated to borrow on behalf of a portfolio company, even in circumstances where the Impact Fund's creditworthiness would permit borrowing at a lower rate than is available to the portfolio company. An Impact Fund is also permitted to 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 an Impact Fund would be compensated for providing such guarantee or exposure to such liability. An Impact Fund generally is permitted to incur leverage on a joint, several, joint and several or cross-collateralized basis with one or more other investment funds and entities managed by the Adviser or any of its affiliates, including through Impact Fund subsidiaries and other intermediate entities, and may have a right of contribution, subrogation or reimbursement from or against such entities. It is also possible that certain co-investors (including management, any roll-over investors and/or third-party co-investors) will not share in incurring such leverage and that an Impact Fund will disproportionately bear the risk and/or costs of leverage arrangements. In addition, to the extent an Impact Fund incurs leverage (or provides such guaranties), such amounts are permitted to be secured by capital commitments made by an Impact Fund's investors and such investors' contributions may be required to be made directly to the lenders instead of an Impact Fund.

***Subscription Lines.*** An Impact Fund is generally permitted to enter into a subscription line with one or more lenders in order to finance its operations, including the acquisition, financing or refinancing of an Impact Fund's investments, as well as to consolidate or make less frequent capital calls to limited partners. Fund-level borrowing subjects limited partners to certain risks and costs. For example, because amounts borrowed under a subscription line typically are secured by pledges

of an Impact Fund's general partner's right to call capital from the limited partners, limited partners may be obligated to contribute capital on an accelerated basis if an Impact Fund fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. Moreover, any limited partner claim against an Impact Fund would likely be subordinate to an Impact Fund's obligations to a subscription line's creditors.

In addition, fund-level borrowing will result in additional partnership expenses that will be borne by investors. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee for establishing a subscription line, and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment, structuring and negotiation of the terms of the borrowing facility, as well as expenses relating to maintaining, renegotiating or terminating the facility. Because a subscription line's interest rate is based in part on the creditworthiness of an Impact Fund's limited partners and the terms of the Fund Agreements, it may be higher than the interest rate a limited partner could obtain individually. To the extent a particular limited partner's cost of capital is lower than an Impact Fund's cost of borrowing, fund-level borrowing can negatively impact a limited partner's overall individual financial returns even if it increases an Impact Fund's reported net returns in certain methods of calculation. Conflicts of interest have the potential to arise in that the use of fund-level borrowing typically delays the need for limited partners to make contributions to an Impact Fund, or results in short-term gains to an Impact Fund, which in certain circumstances enhances an Impact Fund's rate of return calculations and thereby may be deemed to benefit the marketing efforts of the general partner and its affiliates and increases the likelihood that any hurdle or preferred return component in an Impact Fund's carried interest arrangements will be met. A portfolio company financing from a subscription line, rather than from a Fund-level equity commitment, has the potential to increase such returns, particularly in instances where the relevant amount has been drawn for an extended period of time. In other circumstances the use of fund-level borrowing can increase the base of an Impact Fund's management fee calculation, such as during periods where management fees are based in whole or in part on an acquisition cost that includes a borrowing component. Because Management Fees are generally incurred whether an investment is financed through capital calls or borrowings, and an Impact Fund's preferred return typically does not accrue on outstanding borrowings, the relevant General Partner has an incentive to cause the Fund to make investments and/or pay such amounts using a subscription line rather than making capital calls. The use of fund-level borrowing arrangements, and the repayment or non-repayment thereof, can also influence the determination of the end of an Impact Fund's investment period, and cause or defer a related change in the basis of the relevant Impact Fund's management fee calculation under the governing documents. Conflicts of interest also have the potential to arise to the extent that a subscription line is used to make an investment that is later sold in part to co-investors (including one or more co-investing Impact Funds), as to the extent co-investors are not required to act as guarantors under the relevant facility or pay related costs or expenses, co-investors nevertheless stand to receive the benefit of the use of the subscription line and neither an Impact Fund nor its investors generally will be compensated for providing the relevant guarantee(s) or being subject to the related costs, expenses and/or liabilities.

A credit agreement or borrowing facility frequently will contain other terms that restrict the activities of an Impact Fund and the limited partners or impose additional obligations on them. For example, certain lenders or facilities are expected to impose restrictions on an Impact Fund's general partner's ability to consent to the transfer of a limited partner's interest in an Impact Fund or impose concentration or other limits on the Impact Fund's investments, and/or financial or other

covenants, that could affect the implementation of an Impact Fund's investment strategy. In addition, in order to secure a subscription line, an Impact Fund's general partner may request certain financial information and other documentation from limited partners to share with lenders. An Impact Fund's general partner will have significant discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more limited partners. In certain circumstances, due to separate evaluations of creditworthiness by lenders or facility providers, a portfolio company or other Impact Fund subsidiary is expected to bear higher rates under a borrowing facility than are borne by the Impact Fund, resulting in a potential net benefit to the Impact Fund, or additional potential liquidity constraints or other burdens on the relevant portfolio company or Impact Fund subsidiary.

Fund-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows an Impact Fund's general partner to fund investments and pay partnership expenses without calling capital, potentially for extended periods of time. Calling a large amount of capital at once to repay the then-current amount outstanding under a subscription line could cause short-term liquidity concerns for limited partners that would not arise had such Impact Fund's general partner called smaller amounts of capital incrementally over time as needed by an Impact Fund. This risk would be heightened for a limited partner with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the limited partner to meet the accumulated, larger capital calls at the same time. As described in the applicable Fund Agreement(s), an Impact Fund's general partner is generally authorized to use fund-level borrowing to pay management fees and to reimburse the Adviser for expenses incurred on behalf of the Impact Fund. An Impact Fund is also permitted to utilize fund-level borrowing when an Impact Fund's general partner expects to repay the amount outstanding through means other than limited partner capital, including as a bridge for equity or debt capital with respect to an investment. If an Impact Fund ultimately is unable to repay the borrowings through those other means, limited partners would end up with increased exposure to the underlying investment, which could result in greater losses.

If an investment appreciates in value and is disposed of prior to repayment of the borrowing, the relevant Impact Fund generally would apply disposition proceeds to repay the borrowing and related interest and expenses, in which case the absence of invested capital funded by limited partners potentially will result in a distribution of net proceeds without a preferred return accrual on the amount invested. Accordingly, borrowings have the potential to support the distribution of proceeds to limited partners and increase the potential carried interest for the relevant Impact Fund's general partner, as reduced by the interest incurred by the relevant Impact Fund. Subject to any limitations in the governing documents, this scenario potentially incentivizes the relevant Impact Fund's general partner to permanently fund the acquisition and ongoing capital needs of an Impact Fund's investments and related expenses with the proceeds of such borrowings in lieu of drawing down capital contributions on an as-needed basis, and, accordingly, capital contributions to repay such borrowings may be required only at the time of the disposition of an investment (or never, if principal and interest on such borrowings are always repaid out of disposition proceeds).

In borrowing on behalf of an Impact Fund, the Adviser is subject to conflicts of interest between repaying its obligations and retaining such borrowed amounts for the benefit of an Impact Fund, and in circumstances where interest accrues on any such outstanding borrowings at a rate

lower than an Impact Fund's preferred return, is expected to have incentives to cause an Impact Fund to borrow in this manner rather than drawing down capital commitments. Where a preferred return begins to accrue after capital contributions are due (regardless of when an Impact Fund borrows, makes the relevant investment, or pays expenses) and ceases to accrue upon return of these capital contributions, the use of borrowing to shorten the period between calling and returning capital limits the amount of time the preferred return will accrue. In circumstances where there is not a preferred return on funds borrowed in advance or in lieu of calling capital, fund-level borrowing typically will reduce the amount of preferred return to which the limited partners would otherwise be entitled had an Impact Fund's general partner called capital, and thus could result in the relevant Impact Fund's general partner receiving carried interest sooner than it would without borrowing. In addition, when the management fee is calculated as a percentage of invested capital, a limited partner may pay management fees on borrowed amounts used to fund investments that have not yet been realized even though such amounts would not accrue preferred return as described above. It is expected that the costs relating to the establishment and/or maintenance of a subscription line of credit will be significant, and there can be no assurance that the benefits to limited partners will be commensurate with such costs.

***Investment- and Intermediate Entity-Level Borrowing.*** Under the governing documents, each Impact Fund is generally authorized to incur indebtedness that is secured by any assets of the Privat Investment Fund (*e.g.*, asset-based borrowing, as well as "back leverage" and net asset value (NAV) facilities), and is generally permitted directly or indirectly through one or more intermediate entities (*e.g.*, special purpose vehicles) to incur indebtedness, including to borrow money from any person, to make guarantees or provide other credit support to any person or to incur any other obligation (including other extensions of credit). Indebtedness is generally permitted to be incurred for any purpose relating to the activities of an Impact Fund, including without limitation to: finance any investment-related activities of such Impact Fund; increase the buying power of the Impact Fund; provide interim financing to the extent necessary to consummate the purchase of investments prior to the receipt of permanent financing or capital contributions or distributions (as applicable); pay for an Impact Fund's expenses or fund the payment of Management Fees; make, hold or dispose of investments; provide financing or refinancing; fund the payment of amounts to withdrawing limited partners; fund distributions to the partners; and/or provide collateral to secure outstanding letters of credit or to create reserves, in each case in accordance with the governing documents. Additionally, an Impact Fund is expected to enter into letters of credit in support of one or more of its investments, including for the purpose of such Impact Fund agreeing to fund additional equity financing or capital expenditures into a portfolio company (regardless of who the beneficiary to such letter of credit may be) at a certain time or upon the occurrence of a certain event. Although in many cases the applicable governing documents impose limits on borrowings at the Fund level, portfolio investments and intermediate entities generally do not have such limits on their ability to engage in borrowings or incur leverage with respect to all or a portion of the relevant investments.

***Limited Transferability of Fund Interests.*** There will be no existing public market for an Impact Fund's interests, and none is expected to develop. There are substantial restrictions upon the transferability of an Impact Fund's interests under the applicable Fund Agreements and applicable securities laws. In general, withdrawals of an Impact Fund's interests are not permitted and such interests will not be redeemable.

***Limited Access to Information.*** Limited partners' rights to information regarding an



Impact Fund, its relevant general partner or Adviser generally will be specified, and in many cases strictly limited, by the respective Fund Agreement(s) of an Impact Fund. In particular, it is anticipated that the Adviser and its affiliates will obtain certain types of material information from or relating to an Impact Fund's investments that will not be disclosed to limited partners because such disclosure is prohibited, including as a result of contractual, legal or similar obligations outside of Adviser's control. Decisions by Adviser or its affiliates to withhold information may have adverse consequences for limited partners in a variety of circumstances. For example, a limited partner that seeks to transfer an Impact Fund interest may have difficulty in determining an appropriate price for such interest. Decisions to withhold information may also make it difficult for a limited partner to monitor Adviser and its performance. Additionally, it is anticipated that limited partners that designate representatives to participate on an Impact Fund's advisory board ("Advisory Board") generally may, by virtue of such participation, have more or earlier information about an Impact Fund and its investments in certain circumstances than other limited partners. Limited partners generally will bear the expenses of responding to disclosure requests, including in connection with state public records, similar freedom of information and other laws, whether or not an Impact Fund succeeds in asserting confidentiality for requested documents and other materials, and Adviser reserves the right to withhold certain information from investors subject to such laws for reasons relating to Adviser's public reputation, business strategy or other reasons.

***Restricted Nature of Investment Positions.*** Subject to the terms of the applicable Fund Agreement, certain investments may be distributed in-kind to the investors and it may be difficult to liquidate the securities received at a price or within a time period that is determined to be ideal by such investors. After a distribution of securities is made to investors, many investors may decide to liquidate such securities within a short period of time, which could have an adverse impact on the price of such securities and, in turn, on the remaining holders of such securities (which may include an Impact Fund). The price at which such securities may be sold by such investors may be lower than the value of such securities determined pursuant to the applicable Fund Agreement, including the value used to determine the amount of carried interest available to the Adviser with respect to such investment.

***Reliance on the Adviser and Portfolio Company Management.*** At its initial closing, an Impact Fund is a newly formed entity and has no operating history, and a significant number of its portfolio companies are expected to be relatively new and will require substantial additional capital. Whether and to the extent such capital is ultimately invested is subject to the discretion of personnel of the Adviser. Control over the operation of an Impact Fund will be vested with the Adviser, and an Impact Fund's future profitability will depend largely upon the business and investment acumen of personnel of the Adviser. The loss or reduction of service of one or more members of the Adviser's personnel could have an adverse effect on an Impact Fund's ability to realize its investment objectives. In addition, the personnel of the Adviser currently, and may in the future, manage other investment funds besides an Impact Fund and the personnel of the Adviser may need to devote substantial amounts of their time to the investment activities of such other funds, which may pose conflicts of interest in the allocation of the time of personnel of the Adviser. Investors generally have no right or power to take part in the management of an Impact Fund, and as a result, the investment performance of an Impact Fund will depend on the actions of the Adviser. Although the Adviser will monitor the performance of each portfolio company, it will primarily be the responsibility of each portfolio company's management team to operate such portfolio company on a day-to-day basis.

***Non-U.S. Investments.*** An Impact Fund could invest in portfolio companies that are organized or headquartered or have substantial sales or operations outside of the United States, its territories, and possessions. The Adviser expects such investments to be subject to certain additional risks due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates (which an Impact Fund or a portfolio company, as applicable, may or may not hedge against), capital repatriation regulations (as such regulations may be given effect during the term of an Impact Fund), the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on an Impact Fund and/or investors with respect to an Impact Fund's income, and possible non-U.S. tax return filing requirements for an Impact Fund and/or its investors. Additional risks of non-U.S. investments include: (a) economic dislocations in the host country; (b) less publicly available information; (c) less well-developed and/or more restrictive laws, regulations, regulatory institutions and judicial systems; (d) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction; (e) civil disturbances; (f) government instability; and (g) nationalization and expropriation of private assets. Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

***Force Majeure Risks.*** The Adviser, an Impact Fund, portfolio companies, their respective affiliates and counterparties and other persons and entities may be adversely affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, adverse weather conditions, assertion of eminent domain, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, riots, terrorism and labor strikes), which have the potential to affect the ability of the foregoing parties to perform their obligations until any such force majeure event is remedied. These catastrophic events could result in the partial or total loss of an investment or significant down time resulting in lost revenues, among other potentially detrimental effects. The cost to a portfolio company or an Impact Fund of repairing or replacing damaged assets resulting from such force majeure event could be considerable. In addition, repeated or prolonged service interruptions resulting from a force majeure event may cause a permanent loss of customers, substantial litigation or significant penalties for regulatory or contractual non-compliance, though in some cases, agreements may be terminable if a force majeure event is so catastrophic as to render it incapable of remedy within a reasonable, pre agreed time period. Certain force majeure events (such as war or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which an Impact Fund may invest specifically. Additionally, a major governmental intervention into industry, including the nationalization of an industry or the assertion of control over one or more portfolio companies or its assets, could result in a loss to an Impact Fund, including if its investment in such portfolio company is canceled, unwound or acquired (which could be without what an Impact Fund considers to be adequate compensation). Any of the foregoing may therefore adversely affect the performance of an Impact Fund and its investments. Some force majeure risks are generally uninsurable and, in some cases, investment project agreements can be terminated if the force majeure event is so catastrophic that it cannot be remedied within a reasonable time period.

***Climate Change.*** Impact Funds may acquire investments that are located in, or have operations in, areas that are subject to climate change. Any investments located in coastal regions may be affected by any future increases in sea levels or in the frequency or severity of hurricanes

and tropical storms, whether such increases are caused by global climate changes or other factors. There may be significant physical effects of climate change that have the potential to have a material effect on the Impact Funds' business and operations. Physical impacts of climate change may include increased storm intensity and severity of weather (e.g., floods or hurricanes), sea level rise, fires, and extreme and changing temperatures. As a result of these impacts from climate-related events, Impact Funds may be vulnerable to the following: risks of property damage to the Impact Funds' investments; indirect financial and operational impacts from disruptions to the operations of the Impact Funds' investments from severe weather; increased insurance premiums and deductibles or a decrease in the availability of coverage for investments in areas subject to severe weather; decreased net migration to areas in which investments are located, resulting in lower than expected demand for both investments and the products and services of the Impact Funds' investments; increased insurance claims and liabilities; increase in energy costs impacting operational returns; changes in the availability or quality of water, food or other natural resources on which the Impact Funds' business depends; decreased consumer demand for consumer products or services resulting from physical changes associated with climate change (e.g., warmer temperature or decreasing shoreline could reduce demand for residential and commercial properties previously viewed as desirable); incorrect long-term valuation of an equity investment due to changing conditions not previously anticipated at the time of the investment; and economic distributions arising from the foregoing.

***Cybersecurity Risks.*** The information and technology systems of the Adviser and of service providers to the Adviser and an Impact Fund are vulnerable to potential damage or interruption from computer attacks, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. In addition to direct vulnerabilities of the Adviser's systems, the foregoing (and similar) risks have the potential to originate on systems and in locations beyond the Adviser's control. For example, software, data and other services provided by third parties may be compromised without the Adviser's knowledge. Additionally, the Adviser's communications with other persons, including Impact Fund counterparties and investors, are susceptible to infiltration due to human error or vulnerabilities in the systems of such persons. Accordingly, investors are advised to ensure communication methods with the Adviser and the relevant administrator(s) are secure so as to prevent interception or impersonation that could result in fraudulent communications being submitted on their behalf.

Although the Adviser has implemented various measures designed to seek 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, the relevant Impact Fund general partners, or a service provider to make a significant investment to fix or replace them and to seek to remedy the effect of such issues. The failure or interruption of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of the Adviser, the relevant Impact Fund general partners, and an Impact Fund and result in a failure to maintain the confidentiality, integrity or availability of sensitive data, including personal information, as well as reputational damage and/or financial loss, including via adverse impacts to Impact Fund returns. Further, there may be legal and related costs arising from either existing or pending laws or regulations governing cybersecurity requirements for the Adviser and an Impact Fund, as well as litigation and/or regulatory investigations associated with any incidents that occur.

Another potential result of the interruption of the Adviser's (and its affiliates') systems and/or implementation of disaster recovery plans is a remote working or distributed workforce environment for personnel of the Adviser and its affiliates, which presents certain risks discussed below in "Distributed Workforce Risks."

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 potentially will 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. The use of internet- or cloud-based programs, technologies and data storage applications generally heightens these risks, and the risks of attack are expected to be heightened in remote work environments, as further discussed below in "Distributed Workforce Risks." Any of such circumstances could subject a portfolio company, or the relevant Impact Fund, to substantial losses, including losses relating to: misappropriation of assets, intellectual property or confidential information; corruption, deletion or destruction of data; physical damage and repairs to systems; reputational harm; financial losses from remedial actions; and/or disruption of operations. Third parties, including activist, criminal, nation-state or terrorist actors, may also attempt fraudulently to induce portfolio companies or their personnel to disclose sensitive information (including passwords) in order to gain access to data, accounts, funds or other assets, or otherwise to inflict harm.

***Distributed Workforce Risks.*** In early 2020, the Adviser and its affiliates transitioned the majority of employees across their offices to remote work-from-home arrangements due to the global COVID-19 pandemic. The Adviser has since transitioned to a "hybrid" work model, wherein generally employees work partly from Two Sigma offices, and partly remotely. While some of the Adviser's and its affiliates' employees are accustomed to working remotely and working with other remote employees, remote work increases risks relating to cybersecurity, data protection, employee supervision, workforce engagement and cohesion of operations, which could negatively impact the Adviser and the Impact Funds.

Notwithstanding these risks, the Adviser believes that a hybrid working environment provides certain benefits to the Adviser, its affiliates and their employees (including in respect of workforce flexibility and the ability to recruit and retain employees). The Adviser and its affiliates will endeavor to appropriately protect against the risks and expect to employ workplace policy arrangements designed to balance the benefits and potential drawbacks of remote work and a distributed workforce going forward. However, there can be no assurance that the operations of an Impact Fund will not be adversely affected.

***Privacy and Data Protection Law Compliance Risk.*** The adoption, interpretation and application of consumer protection, data protection and/or privacy laws and regulations in the United States, Europe and other jurisdictions (collectively "Privacy Laws") could significantly impact current and planned privacy and information security related practices, the collection, use, sharing, retention and safeguarding of personal data and current and planned business activities of the Adviser, its affiliates, an Impact Fund and/or its portfolio companies, and increase compliance costs and require the dedication of additional time and resources to compliance for such entities.

A failure to comply with such Privacy Laws by any such entity or their service providers could result in fines, sanctions or other penalties or litigation, which could materially and adversely affect the results of operations and overall business, as well as have a negative impact on reputation and an Impact Fund's performance. As Privacy Laws are implemented, interpreted and applied, compliance costs for the Adviser, its affiliates, an Impact Fund and/or its portfolio companies, are likely to increase, particularly in the context of ensuring that adequate data protection and data transfer mechanisms are in place. In addition, in connection with the services provided to an Impact Fund, an investor's personal data will be subject to the Adviser's privacy policy, will be shared with certain of its affiliates and will be transferred and/or stored in various jurisdictions in which such affiliates, an Impact Fund's administrator or sub-administrator and/or their respective affiliates have a presence, including to jurisdictions that might not offer a level of personal data protection equivalent to the investor or prospective investor's country of residence.

Certain jurisdictions, including U.S. states, have proposed, adopted or are considering Privacy Laws, which if enacted could impose significant costs, potential liabilities and operational and legal obligations. Such Privacy Laws are expected to vary from jurisdiction to jurisdiction, thus increasing costs, operational and legal burdens, and the potential for significant liability for regulated entities, which could include the Adviser, its affiliates, an Impact Fund and/or its portfolio companies.

***Public Health Emergencies.*** Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, Ebola and COVID-19, have resulted in historic market disruptions, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to an Impact Fund.

The ultimate impact of any such health emergency — and any resulting decline in economic and commercial activity — on global economic conditions, and on the operations, financial condition and performance of any particular industry or business, is impossible to predict, but could have a significant adverse impact and result in significant losses to an Impact Fund. The extent of the impact on an Impact Fund and its portfolio companies' operational and financial performance will depend on many factors, all of which are highly uncertain and cannot be predicted, and this impact may include significant reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital. These same factors may limit the ability of an Impact Fund to source, diligence and execute new investments and to manage, finance and exit investments in the future, and governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy an Impact Fund intends to pursue, all of which could adversely affect an Impact Fund's ability to fulfill its investment objectives. They may also impair the ability of portfolio companies or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. In addition, the operations of the Impact Funds, their portfolio companies, the general partner of each Impact Fund and the Adviser may be significantly impacted, or even temporarily or permanently halted, as a result of any such health emergencies, or any measures, restrictions on travel and movement, remote-working requirements and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel. These measures may also hinder such entities' ability to conduct their affairs and activities as they normally would,

including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

***United Kingdom (“UK”) Exit from the European Union (the “EU”).*** The UK formally left the EU on January 31, 2020 (“Brexit”). After a transition period that ended on December 31, 2020, EU rules ceased to apply in the UK. Although the terms of the UK’s future relationship with the EU were agreed in a trade and cooperation agreement, the agreement does not include an agreement on financial services and, as a result, UK firms in the financial sector have more limited access to the EU market than prior to Brexit and EU firms similarly have more limited access to the UK, owing to the loss of passporting rights under applicable EU and UK legislation. Alternative arrangements and structures may allow for the provision of cross-border marketing and services between the EU and UK, but these are subject to legal uncertainty and the risk that further legislative and regulatory restrictions could be imposed in the future.

As a result of the onshoring of EU legislation in the UK, UK firms are currently subject to many of the same rules and regulations as prior to Brexit. However, the UK Government has stated its intention to recast onshore EU legislation as part of UK legislation and regulation, which could result in substantive changes to regulatory requirements in the UK. It remains to be seen to what extent the UK may elect to implement or mirror future changes in the EU regulatory regime, or to diverge from the current EU-influenced regime over time. It is possible that the EU may respond to UK initiatives by restricting third-country access to EU markets. If the regulatory regimes for EU and UK financial services change or diverge further, this could have an adverse impact on any Fund and its investments, including the ability of a Fund to achieve its investment objectives in whole or in part (for example, owing to increased costs and complexity and/or new restrictions in relation to cross-border access between the EU and non-EU jurisdictions). There can be no assurance that any renegotiated laws or regulations will not have an adverse impact on an Impact Fund or any of its investments, including the ability of an Impact Fund to achieve its investment objectives.

The legal, political and economic uncertainty and disruption generally resulting from Brexit may adversely affect both EU- and UK-based businesses, including, as applicable, the Adviser and Impact Fund portfolio companies. Brexit has already led to disruptions in trade as businesses attempt to adapt cross-border procedures and rules applicable in the UK and in the EU to their activities, products, customers, and suppliers. Continuing uncertainty and the prospect of further disruption may also result in an economic slowdown and/or a deteriorating business environment in the UK and in one or more EU Member States.

***International Conflicts.*** Wars and other international conflicts, such as the Israeli-Palestinian conflict and the ongoing military conflict between Russia and Ukraine have caused disruption to global financial systems, trade and transport, among other things. In response, multiple other countries have put in place sanctions and other severe restrictions or prohibitions on certain countries involved, as well as related individuals and businesses. However, the ultimate impact of these conflicts and their effect on global economic and commercial activity and conditions, and on the operations, financial condition and performance of the Impact Funds or any particular industry, business or investee country and the duration and severity of those effects, is impossible to predict.

These conflicts may have a significant adverse impact and result in significant losses to the

Impact Funds. This impact may include reductions in revenue and growth, unexpected operational losses and liabilities and reductions in the availability of capital. It may also limit the ability of an Impact Fund to source, diligence and execute new investments and to manage, finance and exit investments in the future. Developing and further governmental actions (military or otherwise) may cause additional disruption and constrain or alter existing financial, legal and regulatory frameworks and systems in ways that are adverse to the investment strategy which any Impact Fund intends to pursue, all of which could adversely affect the Impact Fund's ability to fulfill its investment objectives.

***U.S. Taxation of Carried Interest.*** U.S. federal income tax law treats certain allocations of capital gains to service providers by partnerships such as the Impact Funds as short-term capital gain (taxed at higher ordinary income rates) unless the partnership has held the asset that generated such gain for more than three years. Additionally, Congress has considered proposed legislation that would treat certain income allocations to service providers by partnerships such as an Impact Fund (including any carried interest) as ordinary income for U.S. federal income tax purposes that under current law are treated as an allocation of the partnership's income (and which may be taxed at lower rates than ordinary income). Such rules, as well as any such legislation that may be enacted in the future, could apply to reduce the after-tax returns of individuals associated with an Impact Fund, its general partner, or Adviser who were or may in the future be granted direct or indirect interests in carried interest, which could make it more difficult for the relevant general partner and its affiliates to incentivize, attract and retain individuals to perform services for an Impact Fund. This creates potential incentives for Adviser to cause an Impact Fund to hold investments for a longer period than would be the case if such greater-than-three-year holding period requirement did not exist.

***Changes to Benchmark Rates.*** To the extent that an Impact Fund's investments, borrowing facilities, hedging activities, or other assets or structures are tied to interest rates based on benchmark or reference rates, including the London Interbank Offered Rate ("LIBOR"), Secured Overnight Financing Rate ("SOFR") or other rates (each, a "Benchmark Rate"), the Impact Fund may be subject to certain material risks, including the risk that a Benchmark Rate is terminated, ceases to be published or otherwise ceases to be broadly used by the market. Regulators, central banks, governments and other market participants have transitioned historical instruments and contracts away from LIBOR to new Benchmark Rates. This transition includes the potential to: increase volatility or illiquidity in markets; cause delays in or reductions to financing options for the Impact Funds and their portfolio companies; increase the cost of borrowing; reduce the value of certain instruments or the effectiveness of certain hedges; cause uncertainty under applicable legal documentation; or otherwise impose costs and administrative burdens relating to factors that include document amendments and changes in systems. Future transitions to and from Benchmark Rates have the potential to have similar effects.

***Secondaries and other GP-Led Transactions.*** There continues to be a significant market for secondary sales, GP-led transactions, continuation funds, successor fund investments and other similar or related transactions. Many of these transactions involve an auction process run by an investment bank and a buyer (or buyer group) that agrees to purchase all or a portion of one or more investments that will continue to be managed by Adviser following the transaction. Such transactions are permitted to be undertaken for various reasons, including, for example, to balance competing interests between offering liquidity to existing limited partners and maintaining exposure to an asset where the Adviser believes there is the potential for additional value generation.

Where undertaken, existing limited partners typically are offered certain options relating to receiving liquidity from the transaction or continuing to maintain exposure to the asset, assets or a new portfolio of assets (including potentially a portfolio that combines assets from multiple Impact Funds sponsored by the Adviser and its affiliates). However, certain of such transactions would be expected to involve: a limited partner investing (or being required to invest) additional capital in the existing Impact Fund and/or other investment vehicles, a greater exposure to one or more particular portfolio companies, and/or a delay in the full liquidation of the Fund's investment. In other circumstances, even limited partners that elect to continue to hold a direct or indirect interest in the relevant portfolio company would have their interest adjusted as if distributed (*i.e.*, a portion of such interest will be allocated to the relevant general partner to the extent of its right to receive carried interest, if any), effectively diluting their interests.

Each of these transactions has the potential for conflicts between the interests of an Impact Fund or limited partner and those of the Adviser or any buyer group that typically are not applicable to more traditional investment sales. For example, in circumstances where the Adviser or an affiliate would continue to manage and receive fees and/or performance-based compensation relating to the subject assets following the transaction (potentially in addition to performance-based compensation earned by the relevant General Partner on the sale of an asset from an existing Fund in such transaction), their incentives are expected to diverge from those of limited partners who elect to sell their interests. Similarly, there are potential conflicts of interest among the selling Impact Fund, the Adviser, the relevant general partner and any buyer group relating to the valuation and consideration offered for the subject investment(s). To the extent the Adviser requires existing limited partners and/or new buyers to commit capital to a continuation fund or another Fund managed by the Adviser in addition to the purchase amount paid in a transaction (including commitments to the relevant Fund in specified ratios to the purchase price), such requirement is expected to have a dilutive effect on the purchase price for the selling Impact Fund and its limited partners. There can be no assurance that any such transaction will accurately reflect the fair market value of the investment(s) being sold. Further, the relevant general partner is expected to be incentivized including through the possibility of receiving additional compensation, to make investments in portfolio companies with the view of holding such investments for longer periods of time or to make investments that it would not otherwise have made if the possibility of liquidity through a secondary transaction did not exist. Where co-investors historically have been invested in an investment subject to such a transaction, there can be no assurance that they will receive the same liquidity or other options as limited partners in the relevant Impact Fund, and in such circumstances the Adviser reserves the right to compel co-investors to receive cash or continue to hold an interest in the relevant investment. In other circumstances, certain limited partners would not be permitted to continue to maintain exposure to the asset(s) due to a lack of eligibility to invest in a continuation vehicle under relevant securities, tax or other considerations. Although relevant potential conflicts of interest would be disclosed to limited partners and/or the relevant advisory committee prior to the closing of the transaction, there can be no assurance that the Adviser will successfully identify all conflicts of interest or resolve or mitigate all such conflicts of interest in favor of an Impact Fund or any individual limited partner or group of limited partners. However, the Adviser reserves the right, in its sole discretion, to determine to engage in such transactions, subject to any approvals required in the relevant governing documents. The Adviser is generally permitted to seek the consent of the relevant Fund's advisory committee(s) to approve conflicts associated with such transactions and accordingly, not all limited partners will necessarily be able to approve or disapprove of such transactions. Similar to any prospective sale or disposition of Fund investments, to the extent such transactions are not consummated, the relevant Impact Fund



is expected to bear all of the related costs in the absence of an agreement with other parties to bear a portion of such costs.

***Hedging Arrangements.*** The Adviser is authorized (but is not obligated) to endeavor to manage an Impact Fund's or any portfolio company's currency exposures, interest rate exposures or other exposures, using hedging techniques where available and appropriate. The Impact Funds are permitted to incur costs related to such hedging arrangements, which are permitted to be undertaken in exchange-traded or over-the-counter ("OTC") contexts, including futures, forwards, swaps, options and other instruments. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that such hedging arrangements will achieve the desired effect, and in some cases hedging arrangements may result in losses greater than if hedging had not been used. In some cases, particularly in OTC contexts, hedging arrangements will subject an Impact Fund to the risk of a counterparty's inability or refusal to perform under a hedging contract, or the potential loss of assets held by a counterparty, custodian or intermediary in connection with such hedging. OTC contracts may expose an Impact Fund to additional liquidity risks if such contracts cannot be adequately settled.

***Non-Controlling Investments.*** Certain portfolio companies are, and others are expected in the future to be comprised of meaningful minority stakes in privately held companies and have minority protection rights that, while often substantial, typically fall short of control characteristics. Other portfolio companies are comprised of interests that may not have significant minority protections, such as passive equity interests in investment pools, or interests in revenue share agreements with investment managers that do not include any governance rights with respect to such investment managers. In addition, during the process of exiting investments, an Impact Fund at times may hold minority equity stakes of any size such as might occur if portfolio companies are taken public. As is the case with minority or passive holdings in general, such minority stakes that an Impact Fund holds or may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. Where an Impact Fund holds a minority or passive stake, it may be more difficult for an Impact Fund to liquidate interests than it would be had an Impact Fund owned a controlling interest in such company. Even if an Impact Fund has contractual rights to seek liquidity of an Impact Fund's minority or passive interests in such companies, it may be very difficult to sell such interests or seek a sale of such company upon terms acceptable to an Impact Fund, especially in cases where the interests of the other investors in such company have different business and investment objectives and goals.

***Side Letters.*** The Adviser or its affiliates, as applicable, are expected to enter into Side Letters with certain investors in connection with such investor's admission to an Impact Fund or parallel funds without the approval of any other investor, which would have the effect of establishing rights under or altering or supplementing the terms of the applicable Fund Agreement, with respect to such investors in a manner more favorable to such investors than those applicable to other investors. Such rights or terms in any such side letter or other similar agreement may include, without limitation, (i) excuse or exclusion rights applicable to particular investments (which may increase the percentage interest of other investors in, and contribution obligations of other investors with respect to, such investments), (ii) the Adviser's agreement to extend certain information rights or additional reporting to such investor, including, without limitation, to accommodate special tax, regulatory or other circumstances of such investor, (iii) waiver or modification of certain confidentiality obligations and/or documentation that might be requested by the Adviser for the benefit of lenders or other persons extending credit to or arranging financing

for an Impact Fund, (iv) consent of the Adviser to certain transfers by such investor or other exercises by the Adviser of its discretionary authority under the applicable Fund Agreement for the benefit of such investor, (v) restrictions on, or special rights of such investor with respect to the activities of the Adviser, (vi) withdrawal rights (subject to consent of the Adviser) due to legal, regulatory, tax, accounting or policy matters, including matters related to political contributions, gifts and other such policies, (vii) other rights or terms necessary in light of particular legal, regulatory or public policy characteristics of an investor, (viii) economic arrangements (including, for example, with respect to any carried interest, servicing fees and/or management fees to be charged to investors, and discounted or rebated compensation terms, none of which generally will be subject to the “most-favored nation” provisions of an Impact Fund’s governing documents), (ix) matters regarding such investor’s right to participate in co-investment opportunities (including, without limitation, preferential allocation thereof and the terms and conditions related to such participation (including any carried interest and/or management fees to be charged with respect thereto)), (x) matters regarding such investor’s (or its affiliates’) interest in providing debt financing to an Impact Fund or its portfolio companies, (xi) acknowledgement of interest in co-investment opportunities and allocations thereof, (xii) rights to serve on an Impact Fund’s Advisory Board, or (xiii) additional obligations, and restrictions of an Impact Fund with respect to the structuring of any investment (including with respect to alternative investment vehicles). While it is possible that an Impact Fund will, along with the Adviser itself, benefit from the existence of those side agreements, it is also possible that such side agreements may permit such investors to take actions on the basis of information not available to other investors that do not have the benefit of such agreements. Any rights or terms so established in a side letter with an investor will govern solely with respect to such investor (but not any of such investor’s assignees or transferees unless so specified in such side letter) and will not require the approval of any other investor notwithstanding any other provision of the applicable Fund Agreement.

Except in the circumstances and on the timing required by the applicable Fund Agreement and/or applicable law, other investors will not receive copies of Side Letters or related provisions, and as a general matter, the other investors have no recourse against an Impact Fund, the Adviser, its general partner or any of their respective affiliates (including the Adviser) in the event that certain investors have received additional and/or different rights and/or terms as a result of such Side Letters. Side Letters subject the Adviser to potential conflicts of interest, including in circumstances where an investor’s right to serve on the relevant Impact Fund’s Advisory Board results in the investor receiving additional information relative to other investors. To the extent an investor is subject to statutory or other limitations on indemnification, or otherwise negotiates rights relating thereto, other investors may be subject to increased losses, or be required to bear an increased portion of indemnification amounts. Other Side Letter rights are likely to confer benefits on the relevant limited partner at the expense of the relevant Impact Fund or of limited partners as a whole, including in the event that a Side Letter confers additional reporting, information rights and/or transfer rights, the costs and expenses of which are expected to be borne by the relevant Impact Fund. As a consequence of one or more limited partners being excused or excluded, or from regulatory, tax or other factors altering or limiting their participation in investments or ability to bear certain liabilities or obligations, the aggregate returns realized by participating or non-participating limited partners could be adversely affected in a material manner by the unfavorable performance of particular investments; similar considerations apply in the event a limited partner defaults on a drawdown in respect of an investment. Although the Adviser believes it to be unlikely, excuse or other rights requested or received by one or more limited partners (or such regulatory, tax or other factors applicable to such limited partners) representing

a substantial percentage of an Impact Fund have the potential to create significant variations in limited partner investment returns or exposures to liabilities or obligations, or to influence or affect the investment strategy and pursuit of investment opportunities by the general partner on behalf of the relevant Impact Fund as a whole. A limited partner's voting rights for regulatory or other reasons can be limited in circumstances specified in the governing documents of the relevant Impact Fund; conversely, a limitation on one or more limited partners' voting rights generally will increase the voting rights percentage of other limited partners in the relevant Impact Fund. Further, limited partners with different domiciles or tax categorizations could receive different investment returns or amounts of tax basis and/or pay different levels of expenses, *e.g.*, based on tax savings or ownership of alternative investment vehicle, "blocker" or other structures used to facilitate their investments in, through or below an Impact Fund.

In addition, the Adviser has, and it can be expected that the Adviser in the future will, enter into agreements with investors involving an investor's overall relationship with the Adviser and/or its affiliates, which may include one or more strategies with terms and conditions applicable to such investor and its investment in multiple strategies managed by the Adviser (or the Adviser and its affiliates), including an investment in other TSPI Funds and an Impact Fund. Such an agreement would often involve an investor agreeing to make a capital commitment to multiple funds, Other Managed Accounts and/or co-investment vehicles managed or sponsored by the Adviser or its affiliates, one or more of which may include an Impact Fund. Other investors will not receive a copy of the agreement memorializing such an investment program and will be unable to elect any rights or benefits granted to such multi-strategy investor.

It is also expected that the Adviser will confirm factual matters to incoming investors, make statements of intent or expectation to such investors or acknowledge statements by such incoming investors that relate to an Impact Fund and/or the Adviser's activities pertaining thereto in one or more respects. In addition, the Adviser may agree to certain matters relating to knowledge transfer and/or secondments with one or more investors as part of an overall firm relationship. Additionally, it is expected that investors who designate representatives to participate on an Impact Fund's Advisory Board may, by virtue of such participation, have more information about an Impact Fund and investments in certain circumstances than other investors generally and may be provided information in advance of communication to other investors generally. Any such statements, confirmations agreements or acknowledgements, including those made in response to an investor's due diligence requests, will not involve the granting of any legal right or benefit, and therefore will not be subject to the "most favored nations" process or election by investors, and investors generally will as a result not receive notice thereof or copies of the documentation (if any) in which they are contained. There can be no assurance that any such arrangements will not have an adverse effect on an Impact Fund or that such arrangements will not influence the Adviser's activities or the operation of an Impact Fund.

***Material Non-Public Information.*** As a result of the extensive operations of the Adviser and its affiliates, as well as in connection with officerships or directorships of Adviser personnel, the Adviser and its affiliates frequently comes into possession of confidential or material, non-public information. Therefore, the Adviser and its affiliates may have access to material, non-public information that may be relevant to an investment decision to be made by an Impact Fund. Consequently, an Impact Fund may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, the Adviser or its affiliates, may have been undertaken on account of applicable securities laws or the Adviser's internal policies.

Due to these restrictions, an Impact 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. Additionally, there may be circumstances in which one or more individuals associated with the Adviser or its affiliates will be precluded from providing services to the Adviser or an Impact Fund because of certain confidential information available to those individuals or to the Adviser or its affiliates, which could have an adverse effect on an Impact Fund.

Similarly, anti-money laundering, anti-boycott and economic and trade sanction laws and regulations in the United States and other jurisdictions may prevent Adviser or an Impact Fund from entering into transactions with certain individuals or jurisdictions. The United States Department of the Treasury's Office of Foreign Assets Control ("OFAC") and other governmental bodies administer and enforce laws, regulations and other pronouncements that establish economic and trade sanctions on behalf of the United States. Among other things, these sanctions may prohibit transactions with or the provision of services to, certain individuals or portfolio companies owned or operated by such persons, or located in jurisdictions identified by OFAC. Additionally, antitrust laws in the United States and other jurisdictions give broad discretion to the U.S. Federal Trade Commission, the United States Department of Justice and other U.S. and non-U.S. regulators and governmental bodies to challenge, impose conditions on, or reject certain transactions. In certain circumstances, antitrust restrictions relating to an Impact Fund's acquisition of a portfolio company may preclude another Impact Fund from making an attractive acquisition or require another Impact Fund to sell all or a portion of certain portfolio companies owned by it.

As a result of any of the foregoing, an Impact Fund may be adversely affected because of Adviser's inability or unwillingness to participate in transactions that may violate such laws or regulations, or by remedies imposed by any regulators or governmental bodies. Any such laws or regulations may make it difficult or may prevent an Impact Fund from pursuing investment opportunities, require the sale of part or all of certain portfolio companies on a timeline or in a manner deemed undesirable by Adviser or may limit the ability of one or more portfolio companies from conducting their intended business in whole or in part. Consequently, there can be no assurance that an Impact Fund will be able to participate in all potential investment opportunities that fall within its investment objectives.

***Sanctioned Investors.*** If, after subscribing to an Impact Fund, a limited partner is included on a list of prohibited persons maintained by a relevant regulatory or governmental authority (including OFAC or equivalent non-U.S. authorities) (a "**Sanctions List**"), the relevant general partner will have sole discretion to determine the resolution, remedy and manner of compliance of such Impact Fund with applicable laws, including without limitation a "freeze" on distributions and/or capital calls from the relevant limited partner and reporting to the relevant authorities. Adverse actions by any such authorities, including temporary or permanent stays or holds on such Impact Fund's activities, could materially and adversely affect the Impact Funds.

***Affiliated Data-Analytics Providers; Reliance on Two Sigma.*** Subject to the applicable Fund Agreement, the Adviser may retain Affiliated Service Providers (as further defined below, and which includes Two Sigma Investments, LP ("TSI"), its operating affiliates and certain persons affiliated with, employed by or retained by the Adviser or Two Sigma, including its investor relations personnel) to provide data-analytics, marketing, technology, acquisition, integration, rationalization and/or other operations services or due diligence, or similar services to an Impact Fund, its related investment vehicles or a portfolio company. In particular the Adviser will rely to

a substantial degree on Affiliated Service Providers, including Two Sigma's SEDS team for vendor data management, access to data sets, data engineering assistance and other activities that are essential to the Advisers data analytics activities ("Data Analytics Activities"). The Affiliated Service Providers are not a fiduciary to the Adviser or to any clients. If Affiliated Service Providers cease to provide their services, the Adviser will be materially adversely affected. In particular Affiliated Service Providers may cease providing the Adviser access to data sets important to the Adviser's Data Analytics Activities or provide engineering assistance for any reason at all. Replacing such data sets or engineering assistance may be prohibitively expensive for the Adviser. The Adviser has no control over the Affiliated Service Providers, and the Affiliated Service Providers are permitted to make decisions without regard to, knowledge or consideration of, the business objectives of the Adviser, any duties or obligations of the Adviser to any client or the investment objective, goals or other investment profile characteristics of any client.

Further, TSI provides various services to the Adviser, including, but not limited to, administrative, legal, technical and clerical services, access to technology equipment and office facilities, maintenance and support services, and other related and miscellaneous services. Pursuant to a services agreement (the "Services Agreement"), the Adviser pays TSI a fee for the provision of these services. Such fee is borne by the Adviser and not directly or indirectly by its clients. All personnel of the Adviser have a direct employment relationship with TSI and not with the Adviser.

Because of the services provided to the Adviser by TSI, the Adviser's performance will be materially dependent on TSI and the talents and efforts of individuals employed by TSI. TSI is not a fiduciary to the Adviser or to any of its clients. Although the Adviser will seek to benefit from TSI's existing data science resources and capabilities, it is not expected that all such resources and capabilities will have direct application to an Impact Fund's investing strategy and its investments. There is no guarantee that any or all TSI resources and capabilities (including those expected to be provided through SEDS) will be available to the Adviser at any particular time or for any particular investment, project, or application. These resources and capabilities have not necessarily been reviewed, assessed or endorsed by TSI, and there is no guarantee that any of these data science resources or capabilities will be developed or implemented effectively by the Adviser.

Any descriptions of (i) TSI's data science capabilities and resources generally are included merely to illustrate Two Sigma's accomplishments in and commitment to data science generally, and is not intended to illustrate the depth, experience, resources, and capabilities that will be applied at or available to an Impact Fund or its investments in particular, and (ii) TSI's data science capabilities and resources intended to be applied to an Impact Fund and its portfolio companies (i.e., through SEDS) are aspirational and may not be realized. In addition, to the extent that TSI's data science capabilities are made available to an Impact Fund and its investments, there can be no guarantee that (i) such application will provide any benefits to the relevant investment or an Impact Fund or otherwise have a positive impact on the investment's or such fund's performance, (ii) even if TSI's data science capabilities positively benefit a portfolio company of an Impact Fund, that such benefits will be transferable to third parties, which may negatively impact valuations in a potential exit, or (iii) any data science capabilities will be provided to an Impact Fund in a cost-effective manner, or that the cost of such capabilities will not materially increase over time. The success of the Adviser and the Impact Funds will largely be dependent upon TSI's ability to continue to provide services to the Adviser and personnel of the Adviser. If TSI ceases to do so, or ceases to do so effectively, the Adviser and the Impact Funds will be adversely affected.

The Adviser has no control over other parts of Two Sigma (including TSI), and other parts of Two Sigma may make decisions without regard to, knowledge or consideration of, the business objectives of the Adviser or the investment objective of an Impact Fund (subject to the Services Agreement).

***Reliance on Individuals.*** Although many of the Adviser's strategies and tools are reliant on technology, the Adviser's investment strategies are materially reliant on individuals and their judgment. In particular, certain employees performing a range of activities and functions have significant responsibility and broad discretion that can impact clients and their investments. With respect to Two Sigma, there have been instances where employees have taken actions that are outside the scope of their employment and failed to perform actions that are required by the scope of their employment (including actions or inactions that deviate from best practices, or the applicable adviser's policies or procedures), which have adversely impacted such adviser's clients. While the Adviser seeks to maintain policies, procedures and supervisory structures designed to mitigate the risk of such conduct and detect it should it occur, no guarantee or representation can be made that such conduct will not occur in the future or that, should such conduct occur, it will be promptly detected. Further, there is no guarantee that personnel will act in an appropriate manner, meet the Adviser's expectations or fulfill such personnel's obligations.

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

***Risks of ML Technologies.*** The Adviser may utilize machine learning and artificial intelligence tools and techniques, including generative AI and large language models (collectively, “ML Technologies”) in the course of its business, including in connection with data analysis and other activities. ML Technologies can be developed in whole or in part by third parties (including open source materials) and by Two Sigma Affiliates.

There are risks associated with the use of ML Technologies, and the Adviser's use of ML Technologies (as well as the use of ML Technologies by third-parties, as discussed below and in “Risks of Artificial Intelligence,” or by Two Sigma Affiliates) will tend to amplify the risks faced by the Adviser and clients, including those risks described under “Affiliated Data-Analytics Providers; Reliance on TSI,” “Risks of Artificial Intelligence” and “Cybersecurity Risks,” and could introduce additional risks, all of which could adversely impact the Adviser and clients.

Certain ML Technologies are typically highly reliant on the collection and analysis of large amounts of data. It is not possible or practicable to screen all available data incorporated into or reviewed by ML Technologies, and it is inevitable that not all desired and/or relevant data will be available to, or processed by, the ML Technologies, and that such data will be incomplete or incorrect. The Adviser will also not necessarily be aware of the importance assigned to any particular piece of data by the ML Technologies.

ML Technologies will sometimes generate incomplete or inaccurate outputs that could negatively impact the Adviser’s data analysis, research and other activities. In addition, ML Technologies can make underlying logic for computations and results difficult to interpret, and therefore unexpected behavior can be difficult to detect and/or remediate; improvements can similarly be difficult to implement as well. Further, the Adviser may utilize ML Technologies developed by third parties, and the Adviser would not necessarily expect to have visibility into the data used to train the models or the specific technologies that comprise such ML Technologies and it could be even more difficult to detect and/or remediate errors or other unexpected behavior of such ML Technologies. The Adviser’s use of ML Technologies could therefore adversely impact clients.

As noted above under “Risks of Artificial Intelligence,” clients will also be exposed to risks to the extent third-party service providers and/or counterparties of the Adviser or the clients use ML Technologies in their business activities. The Adviser has limited transparency into the use of such ML Technologies, and to the extent it is aware of such use, will likely not be in a position to control the manner in which third-party products are developed or maintained or the manner in which third-party services utilizing ML Technologies are provided.

***Certain Risks Associated with Management and Governance Challenges.*** There continue to be a variety of management and governance challenges that have the potential to directly or indirectly impact the Adviser. Specifically, the Management Committee of the Adviser’s general partner (the “Management Committee”) has been unable to reach agreement on a number of topics that, to the extent involving the Adviser, principally relate to the activities and functions that support multiple Two Sigma Affiliates (“Platform Activities”). These topics include: (i) defining roles, authorities, responsibilities and/or compensation for some C-level officers, including for the various roles of the members of the Management Committee and other very senior leaders responsible for activities and functions that support Platform Activities; (ii) organizational design and management structure of various teams; (iii) corporate governance and oversight matters; and

(iv) succession plans. These disagreements have affected and could continue to affect Two Sigma's ability to retain and attract employees (including very senior employees) and to implement key initiatives. As such disagreements continue, the Adviser's ability to achieve client objectives could be impacted over time.

**Valuation of Assets.** There is not expected to be an actively traded market for most of the securities owned by an Impact Fund. When estimating fair value, the Adviser will apply a methodology it determines to be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately may be sold. The exercise of discretion in valuation by the Adviser may give rise to conflicts of interest, including in connection with determining the amount and timing of distributions of carried interest and the calculation of fees payable to the Adviser.

**Co-Investments.** The Adviser has provided or committed to provide, and subject to any contractual obligations (whether in a Side Letter or a Fund Agreement), the Adviser expects in the future to continue, in its sole discretion, to provide or commit to provide, co-investment opportunities to one or more investors and/or other persons, in each case on terms to be determined by the Adviser. Conflicts of interest may arise in the allocation of such co-investment opportunities. The allocation of co-investment opportunities, which may be made to one or more persons for any number of reasons as determined by the Adviser, may not be in the best interests of an Impact Fund or any individual investor. In exercising its sole discretion in connection with such co-investment opportunities, the Adviser may consider some or all of a wide range of factors, which may include factors which benefit the Adviser such as the likelihood that an investor may invest in a future fund sponsored by the Adviser or its affiliates.

Furthermore, the Adviser or its related persons expect to make decisions regarding whether and to whom to offer co-investment opportunities in consultation with other participants in the relevant transactions, such as a lender or co-sponsor. Co-investment opportunities typically will be offered to some and not to an Impact Fund's other investors, and the consideration of the factors set forth above likely will result in certain investors receiving multiple opportunities to co-invest while others expressing interest in co-investments have the potential to receive none. Allowing any co-investment generally reduces the amount of the relevant investment opportunity that theoretically could have been taken by the relevant Impact Fund, and the Adviser expects to be subject to potential conflicts of interest in determining the amount of investment opportunity that should be allocated to the relevant Impact Fund because (i) co-invest opportunities generally appeal to Impact Fund investors and third parties, (ii) to the extent co-investments made by Impact Fund investors are not subjected to management fees and/or performance-based compensation, co-investments blend the effective rates of compensation paid by such persons in a manner not subject to the "most favored nation" provisions of an Impact Fund's governing documents and (iii) co-investors' proportionate share of a particular investment typically is not subject to the management fee offset provisions of an Impact Fund's governing documents. In order to facilitate the acquisition of a portfolio company, an Impact Fund reserves the right to make (or commit to make) an investment in the company with a view to selling a portion of the investment to co-investors or other persons prior to or following the closing of the acquisition. In such event, the relevant Impact Fund will bear the risk that any or all of the excess portion of such investment may not be sold or



may only be sold on unattractive terms, including for example the risk that a portion of the investment will be syndicated at reduced cost, at cost, or at a lower amount at a time when the general partner believes the value of such investment has appreciated or should be higher than that paid (or willing to be paid) by a co-investor. To the extent such a syndication is made, the general partner's interest in limiting the Impact Fund's exposure to a given investment while providing a potential benefit to co-investors investing at such lower values will give rise to a potential conflict of interest. As a consequence of a failed co-investment syndication process or a co-investment syndication on unattractive terms, the relevant Impact Fund would be required to (i) bear the entire portion of any break-up, topping or other fees, costs and expenses related to such investment (including the proportionate share of such amounts that were expected to have been borne by co-investors), (ii) hold a larger-than-expected investment in such portfolio company, (iii) receive less-than-fair- market value for the syndicated portion of the investment and/or (iv) be diluted or realize lower than expected returns from such investment. The Adviser intends to commit to provide co-investment opportunities related to a subset of an Impact Fund's prospective portfolio companies on a priority basis to one or more investors, and accordingly the Adviser's allocation of co-investment opportunities among the persons and in the manner discussed herein may not, and often will not, result in proportional allocations among such persons, and such allocations likely will be more or less advantageous to some such persons relative to others. When and to the extent that the Adviser, its related persons and personnel (or their estate planning or other similar vehicles) of the Adviser make capital investments in or alongside an Impact Fund, the Adviser is subject to potentially conflicting interests in connection with these investments. Please see "Potential Conflicts of Interest" below for additional considerations.

An Impact Fund may co-invest with third parties through partnerships, joint ventures or other entities or arrangements. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that a third party co-venturer or partner may at any time have economic or business interests or goals that are inconsistent with those of an Impact Fund, or may be in a position to take action contrary to the investment objectives of an Impact Fund. In addition, an Impact Fund may in certain circumstances be liable for actions of its third-party co-venturer or partner. There can be no assurance that an Impact Fund's return from a transaction would be equal to and not less than the return of another party that was allocated a co-investment opportunity and that is participating in the same transaction.

***Incentive Allocation.*** Any Incentive Allocation will reduce the allocations and distributions that would otherwise have been made to the investors absent any Incentive Allocation. In addition, the Incentive Allocation's existence may incentivize the Adviser to make riskier or more-speculative investments on an Impact Fund's behalf than it would otherwise make absent such performance-based allocations, which could result in adverse consequences for an investor, including but not limited to reduced returns or a complete loss of an investor's entire investment in an Impact Fund. Moreover, the manner in which the Adviser determines the Incentive Allocations may create a conflict between the Adviser's interests and the investor's interests as to the manner, timing and sequencing of the disposition of investments, which could result in adverse consequences for the investors, including, but not limited to, reduced returns and less efficient tax treatment. Furthermore, recently enacted tax reform legislation relating to the taxation of incentive allocations provides for a lower capital gains tax rate in respect of investments held for at least three years. The Adviser may be incentivized to operate an Impact Fund, including holding and/or selling investments, in a manner that takes into account the tax treatment of the Adviser's Incentive Allocation. While the Adviser generally intends to seek to maximize pre-tax

returns for an Impact Fund, the Adviser may nonetheless be incentivized, for example, to hold investments longer to ensure long-term capital gains treatment. To date, the Internal Revenue Service has issued only limited guidance on how these new rules apply.

**Data Science.** The use and application of data science capabilities and resources by the Adviser's Two Sigma Impact business line is still in its developmental stage and, while the Adviser's Two Sigma Impact business line has applied, and will continue to endeavor to apply, data science expertise to its portfolio companies, there can be no guarantee as to the level of data science capabilities or resources that will be made available to an Impact Fund and its investments by Two Sigma Impact or its affiliates (including by Two Sigma), or that if applied, such data science capabilities or resources will result in improved financial performance or the achievement of any Impact Fund or portfolio company investment objectives comparable to or exceeding that which it has already achieved at existing portfolio companies, if at all. To the extent information herein relates to the data science capabilities and personnel of Two Sigma generally, it should be noted that it is anticipated that an Impact Fund will have access only to (i) a select portion of such information and (ii) certain personnel required to implement such Impact Fund's strategy. Further, certain information may not be accessible to the Adviser's Two Sigma Impact business line due to applicable law, regulation, information barriers, confidentiality restrictions, license restrictions, potential publicity risks, privacy considerations, internal policies, system limitations or other constraints. An Impact Fund's use of data resources will be determined by the Adviser's Two Sigma Impact business line and/or its affiliates in their sole discretion, and investors will not have the right to receive any access to such information or services directly as a result of their investment in an Impact Fund. Research to identify linkages in data is underway but expected to take time to develop and there can be no assurances that it will ultimately reveal reliable causal relationships, including without limitation between the elements of any "Workforce Impact," on the one hand, and improved financial performance or the achievement of any workforce related Impact Fund or portfolio company investment objectives, on the other hand.

**Impact Investment Strategy.** An Impact Fund's focus on positive Workforce Impact and producing Good Jobs in the workforce subjects it to a variety of risks, not all of which can be quantified or anticipated. When evaluating potential investment opportunities, a portfolio company's potential (i) to provide for a positive Workforce Impact, and (ii) to produce a strong financial outcome, will both be considerations. The success of such Impact Fund in achieving Workforce Impact goals will depend on the Adviser's skill, including by extension those of the Adviser's Two Sigma Impact team and the Founders Board (as defined below), in identifying and analyzing material Workforce Impact factors and their impact-related value. Such decisions will be subjective. There can be no assurance that the strategy, criteria or techniques employed will be successful or those chosen by other third parties. Due to the nature of the Two Sigma Impact Fund's, and any other Impact Fund pursuing a Workforce Impact strategy, Workforce Impact investment objective, potential investments will be inherently more limited in availability than they would otherwise be if such Impact Fund were seeking to make investments solely on the basis of financial characteristics and associated returns, and the Adviser and an Impact Fund may decline to pursue potential investments if they are not suitable for an Impact Fund's Workforce Impact criteria. Additionally, a prospective portfolio company which may otherwise be compatible with an Impact Fund's Workforce Impact objective, may have a management team or other stakeholders that are not interested or incentivized in promoting positive Workforce Impact. Despite the Adviser's belief that positive Workforce Impact would lead to an investment's financial success, it is possible that a portfolio company's focus on positive Workforce Impact may not ultimately

result in financial success or that management decisions may be made that favor one goal at the expense of the other in either the short or long term.

In evaluating a company, the Adviser must depend on information and data provided by third-parties. Such reporting may be incomplete, inaccurate or unavailable, which could cause the Adviser to incorrectly assess a company's practices, related risks and opportunities for future Workforce Impact. Workforce Impact initiatives may vary by region, country, industry, political view, community values or socioeconomic class and are evolving accordingly, and an Impact Fund or a portfolio company's practices related to attain a positive Workforce Impact may change over time.

The Two Sigma Impact Fund, and any other Impact Fund pursuing a Workforce Impact strategy, seeks to promote the growth and development of Good Jobs within certain portfolio companies and across industry sectors, and consequently the Adviser may consult and/or collaborate with community leaders, advocacy groups, governmental agencies (including federal, state and local departments of such agencies), non-profit entities, debt providers, larger corporations or others. While the Adviser believes that such activities will ultimately be beneficial to such Impact Fund's investment strategy, there can be no assurance that such activities will positively affect an Impact Fund's investment returns or social or other impact. The Two Sigma Impact Fund, and any other Impact Fund pursuing a Workforce Impact strategy, also anticipates consulting their Founders Boards, to the extent provided for and constituted pursuant to the relevant Fund Agreement. Although the Adviser may receive recommendations from any of the foregoing, any determination about whether or not a potential investment is expected to produce a positive Workforce Impact will be made in the Adviser's sole discretion. The determination about what constitutes a positive Workforce Impact is inherently subjective, and what the Adviser and/or its Two Sigma Impact team considers to be beneficial may not necessarily reflect the views of other third parties, including the members of a Founders Board, to the extent provided for and constituted pursuant to the relevant Fund Agreement (the "FB Members"), or particular investors. The Adviser and/or its Two Sigma Impact team may change their standards, criteria or objectives with respect to what constitutes a positive Workforce Impact or what Workforce Impact they seek to achieve. In pursuing terms related to Workforce Impact, an Impact Fund may consummate investments using certain terms that may be considered less favorable than those found in the market for investment strategies that do not identify Workforce Impact as an investment criteria, and do not link Workforce Impact to financial returns.

An Impact Fund may invest in the securities of portfolio companies that make decisions or focus on courses of action that seek to achieve certain Workforce Impact goals, including the promotion, availability and quality of jobs within the portfolio company's workforce, which the Adviser believes will positively impact the financial success of such portfolio companies. However, there can be no assurance that an Impact Fund's portfolio companies will achieve their target Workforce Impact objectives, or that such objectives, if achieved, would lead to long-term financial success, and consequently investor returns may be adversely affected. Furthermore, there can be no guarantee that an Impact Fund's performance will not be negatively affected given its pursuit of investments taking into consideration economic and Workforce Impact criteria, or that an Impact Fund will perform comparably to investment funds that pursue one (and not both) objectives.

The Adviser intends to report to investors on the Workforce Impact performance of an

Impact Fund's portfolio companies at least annually, if not more frequently. An Impact Fund's reporting will depend on the quality of reporting from various third parties and/or an Impact Fund's portfolio companies, which may be incomplete, inaccurate or deficient in any manner of ways. Measuring Workforce Impact is complex and difficult and there can be no assurance that the criteria measured or utilized by the Adviser to determine changes in Workforce Impact performance will be accurate or reliable. An Impact Fund may seek a particular service provider's analysis, reporting or ratings in relation to an Impact Fund's effectiveness to achieve its Workforce Impact objective. To the extent such service providers are engaged on behalf of an Impact Fund or any of its portfolio companies, several factors may affect the conclusions, reports or ratings ultimately received by an Impact Fund or its portfolio companies, and one service provider may place greater emphasis on certain factors or information than others. As such, a service provider may arrive at a different conclusion regarding the Workforce Impact of an Impact Fund's investments than another service provider or the Adviser, even utilizing the same set of facts and circumstances. Certain other public, private or non-profit agencies may also publicly report on or discuss an Impact Fund, its activities or the activities of its portfolio companies in a manner that is inconsistent with the views of the Adviser and/or any service providers engaged by an Impact Fund to perform similar analysis. There is also the risk that reporting showing a positive impact on Workforce Impact criteria, even if consistent among all providers, actually reflects improved workforce conditions in general versus as a result of an Impact Fund's efforts. An Impact Fund will seek to produce demonstrable and repeatable methods of promoting positive Workforce Impact and to show a material cause and effect between the application of Workforce Levers, Good Jobs and positive financial outcomes, however there can be no guarantee that an Impact Fund will be able to achieve such objectives.

There is no universally recognized standard for impact investing or ESG integration into investment, and social impact and responsible investing practices are evolving rapidly. Accordingly, the Adviser's and/ or its Two Sigma Impact team's assessment of such practices and its social impact and ESG policies and procedures are expected to change over time. There are many different frameworks, methodologies, and tracking tools being implemented by investment managers pursuing ESG and social impact strategies. The framework, methodologies and tools that the Adviser and/ or its Two Sigma Impact team is implementing may not align with the approaches used by other investment managers or preferred by prospective investors, or with future market trends or regulatory developments. Any determination about whether a potential investment is expected to produce a positive Workforce Impact or fits within an Impact Fund's impact investment mandate will be made in the Adviser's sole discretion. Applying impact investing goals to investment decisions is qualitative and subjective by nature, and there is no guarantee that the criteria utilized by the Adviser and/ or its Two Sigma Impact team or any judgment exercised by the Adviser and/ or its Two Sigma Impact team will reflect the beliefs or values of any particular investor or other third-party. Except as otherwise expressly indicated with respect to an Impact Fund, data and information pertaining to an Impact Fund's ESG and Workforce Impact strategies will not be audited or otherwise assured in any way and will not be prepared in accordance with GAAP or any other recognized accounting standard.

With respect to COVID-19, the pandemic has created an apparent opportunity for an Impact Fund given its adverse impact on a large swath of the workforce, exacerbating the social issues an Impact Fund seeks to address. An Impact Fund may, therefore, opportunistically invest in industries that were more impacted by the pandemic than other industries, often on the premise that the pandemic caused a structural change in the demand for products or services. These

businesses may not mature in the way an Impact Fund expects.

- *Work Force & Labor Matters.* Investments in portfolio companies that have a unionized work force and/or personnel's who are covered by a collective bargaining agreement could directly or indirectly subject a portfolio company to complex laws, rules and regulations as well as to labor relations disputes or difficulties generally. Although unions and collective bargaining arrangements generally aim to protect and empower workers, the foregoing or other factors may impede an Impact Fund from ultimately instituting changes at the portfolio company in the manner and on the timeline that they were projected to occur on, including those anticipated by the Adviser at the time of such investment that would be necessary to advance the creation or stability of Good Jobs in accordance with an Impact Fund's investment objective. Moreover, the negotiating positions, political views or other motivations that may be associated with a particular union may be driven by other factors or influences beyond the specific portfolio company in which an Impact Fund is invested. There can be no assurance that personnel's or their union representatives will act reasonably or in the manner anticipated by the Adviser at the time of investment by an Impact Fund, and the portfolio company's operations may be interrupted as a result of work stoppages and delays in the process of renegotiating collective bargaining agreements.
- *Investments in Healthcare Companies.* While investments in healthcare companies offer the opportunity for significant gains, such investments also involve a high degree of business and financial risk and can result in substantial or total loss. Healthcare reform continues to be a significant factor in the profitability of healthcare companies. The efforts to reform the healthcare delivery system in the United States have resulted in increased pressure on healthcare providers and other participants in the healthcare industry to reduce costs. These competitive forces place constraints on the levels of overall pricing, and thus could have a material adverse effect on profit margins for the companies in which an Impact Fund invests. Companies in the healthcare sector also have a heightened risk of liability lawsuits that could expose portfolio companies or an Impact Fund to significant losses (whether in defense of, settlement of, or judgements pertaining to, such lawsuits).

Healthcare companies may face intense competition, including competition from companies with greater financial resources, more extensive research and development, sales and marketing, customer services and support and other capabilities and a larger number of qualified managerial and technical personnel. Companies in which an Impact Fund invests could deteriorate as a result of, among other factors, an adverse development in their business, a change in the competitive environment, or an economic downturn. It is also difficult to predict the long-term implications of the COVID-19 pandemic on the financial stability or operational performance of healthcare companies, including continued economic support from federal, state and local governments or further legislation that imposes additional requirements on such industry participants.

The healthcare industry spends significant capital and other resources on research and development. Research findings (e.g., regarding side effects or comparative benefits of one or more particular treatments, services or products) and technological innovation

(together with patent expirations and enforcement limitations) may make any particular treatment, service or product less attractive if previously unknown or underappreciated risks are revealed, or if a more effective, less costly or less risky solution is or becomes available. Any such development could have a material adverse effect on one or more companies in which an Impact Fund invests. The research, development, preclinical and clinical trials, manufacturing, labeling, and marketing related to a healthcare industry company's products are subject to an extensive regulatory approval process by the U.S. Food and Drug Administration ("FDA") and other regulatory agencies in the U.S. and abroad. The process for obtaining FDA and other required regulatory approvals, including the required preclinical and clinical testing is very lengthy, costly, and uncertain. There can be no guarantee that, even after such time and expenditures, a portfolio company will be able to obtain the necessary regulatory approvals for clinical testing or for the manufacturing or marketing of any products or that the approved labeling will be sufficient for favorable marketing and promotional activities. If a portfolio company is unable to obtain these approvals in a timely fashion, or if after approval for marketing, a product is later shown to be ineffective or to have unacceptable side effects not discovered during testing, the portfolio company may experience significant adverse effects, which in turn, could negatively affect the performance of an Impact Fund.

Sales of healthcare products will depend in part on the availability of reimbursement from third-party payors such as government health administration authorities, private health insurers, and other organizations. The levels of revenues and profitability of pharmaceutical companies may be affected by the continuing efforts of governmental and third-party payors to contain or reduce the costs of health care. Significant uncertainty exists as to the reimbursement status of newly approved health care products. There can be no assurance that a company's proposed products will be considered cost-effective or that adequate third-party reimbursement will be available to enable a company to maintain price levels sufficient to realize an appropriate return on its investment in product development.

- *Investments in Education and Training Companies.* The for-profit education sector has been increasingly subjected to extensive U.S. federal and state regulation. The principal federal regulatory regime is established under the Higher Education Act of 1965, as it is amended and reauthorized (the "HEA"), as it is amended and reauthorized, and the regulations promulgated under the HEA by the U.S. Department of Education. Among other matters, these regulations govern participation by universities in federal student financial aid programs under Title IV of the HEA ("Title IV"), which is the principal source of funding for students at these universities. Companies in this sector generally collect the substantial majority of their total consolidated net revenue from receipt of Title IV financial aid program funds. Neither portfolio companies nor the Adviser can predict how the regulations and requirements administered by federal and state educational supervision agencies will be applied or interpreted in the future, or whether compliance with any future changes will be possible. This can lead to significantly adverse impacts upon a portfolio company, thus impairing returns to an Impact Fund.

Companies in the education sector face increased rulemaking by the U.S. Department of Education, potentially negatively impacting returns to such companies. The U.S.

Department of Education has promulgated a substantial number of new regulations in recent years relating to institutional eligibility under the HEA and the U.S. Secretary of Education's recognition of accrediting agencies, including (i) regulations regarding institution and lender requirements relating to education loans under the HEA, (ii) regulations requiring institutions that participate in Title IV programs to be authorized to operate by the appropriate postsecondary regulatory authority in each state where the institution has a physical presence, (iii) regulations defining for the first time the standards to measure "preparation for gainful employment," (iv) instituting consequences of failing the standards, and (v) and regulations requiring certain disclosures to students related to gainful employment. Such increased regulation may require potential portfolio company management to expend time and resources on compliance, including an increase in overall operating costs, as opposed to focusing upon the growth strategy on which an Impact Fund's investment relies.

Increasingly, employers demand that their new personnel possess appropriate technological skills and also appropriate "soft" skills, such as communication, critical thinking and teamwork skills. The nature of the skills required can evolve rapidly in today's changing economic and technological environment. A portfolio company in the education sector, if unable to adequately respond to changes in market requirements due to regulatory or financial constraints, unusually rapid technological changes, or other factors, may suffer decreased business success, worsened financial condition, and negative cash flow and operations results, adversely affecting an Impact Fund's investment in such company. In addition, COVID-19 greatly affected the education sector primarily by distorting demand for services. It is uncertain how COVID-19 will impact planning and success of companies as they adapt to circumstances caused by the pandemic.

***Social Media and Publicity Risk.*** The use of social networks, message boards, internet channels and other platforms has become widespread within the United States and globally. As a result, individuals now have the ability to rapidly and broadly disseminate information or misinformation, without independent or authoritative verification. Any such information or misinformation regarding the Adviser, the Impact Funds or one or more portfolio companies could have a material and adverse effect on the value of the Impact Funds and/or their portfolio companies.

## **Conflicts of Interest**

The Adviser, TSI and their respective affiliates (each as further described in Item 10 below) engage in a broad range of advisory and non-advisory activities and as a result, on occasion the Adviser will encounter conflicts of interest in connection with the operations and investment activities of an Impact Fund or Other Managed Accounts (as defined below). If any matter arises that the Adviser determines in its sole discretion constitutes an actual or potential conflict of interest, the Adviser will take such actions as necessary or appropriate to ameliorate such conflict. These actions could include consulting with an Impact Fund's Advisory Board or legal counsel, requesting advice, verification or confirmation regarding certain actions from independent third parties or taking certain other actions as it believes would eliminate the cause or mitigate the effect of the potential conflict. There can be no assurance that the Adviser will resolve all conflicts of interest in a manner that is favorable to an Impact Fund. By acquiring an interest, each investor

will be deemed to have acknowledged the existence of any such actual or potential conflicts of interest and to have waived any claim with respect to any liability arising from the existence of any such conflict of interest to the fullest extent permitted by law. In addition, prospective investors should note that the Fund Agreements of the Impact Funds contain provisions that, subject to applicable law, reduce or eliminate the duties, including fiduciary and other duties, to an Impact Fund and the investors to which the Adviser would otherwise be subject, provisions that waive or consent to conduct on the part of the Adviser or its affiliates that might not otherwise be permitted pursuant to such duties, and provisions that limit the remedies of investors with respect to breaches of such duties.

The Adviser, TSI and their respective affiliates and companies in which they invest (including portfolio companies of Two Sigma Affiliates' clients) may serve as counterparties or participants in agreements, transactions or other arrangements with the Adviser and/or its affiliates, and such agreements, transactions or other arrangements could be material to such other companies' success or failure. Such agreements, transactions or other arrangements may involve fees, commissions, servicing payments, discounts, rebates and/or other benefits to such portfolio companies, the Adviser or its affiliates, as applicable. While the Adviser, TSI and their respective affiliates intend to monitor such conflicts, there can be no assurance that any such conflicts will be effectively managed or mitigated.

Except in certain circumstances, the Adviser will generally pursue all appropriate investment opportunities that it determines meet the investment criteria of an Impact Fund for the benefit of such Impact Fund, subject to exceptions provided for in the applicable Fund Agreement or discussed elsewhere herein ("Fund Opportunities"). The Adviser maintains broad discretion to determine which investment opportunities will be classified as Fund Opportunities, and further shall make any determination as to the appropriateness of a particular investment opportunity for an Impact Fund in its sole discretion, and such determinations will frequently be subjective in nature. The outcome of these determinations will result in the allocation of all, none or a portion of certain investment opportunities to an Impact Fund, which could adversely affect such Impact Fund's performance in the same manner as an under- or over-allocation. In the event there is potential overlap between an Impact Fund and any other private funds or managed accounts that have or will in the future be sponsored or managed by the Adviser or any of the other Two Sigma Affiliates ("Other Managed Accounts", which, for the avoidance of doubt, include the Impact Funds as well as any private funds, co-investment vehicles or managed accounts sponsored or managed by TSA, TSIS, TSV, TSS, TSRE and/or TSC, as each such entity is further defined in Item 10 below), the Adviser generally intends to allocate the investment opportunity in a manner that it believes is fair and equitable under the circumstances, in accordance with the Adviser's allocation policy and subject to relevant factors associated with the investment and the terms of the applicable governing documents of an Impact Fund, any Other Managed Account or the portfolio company, as applicable. In addition, the Adviser and its affiliates advise many private funds and separately managed accounts across a broad range of strategies and investment mandates, and only fully dedicated members of the Two Sigma Impact Team will be subject to specified obligations to present potential investment opportunities meeting an Impact Fund's investment criteria to such Impact Fund. An Impact Fund will have no right to participate in any opportunities that are not allocated to it (or to a portfolio company thereof), even if such opportunities ultimately would have been highly profitable or would otherwise be accretive or otherwise beneficial to a given portfolio company or an Impact Fund more broadly. Such investment opportunities that are expected to not be allocated to an Impact Fund include, but are



not limited to, individual assets that have been presented to but passed upon by such Impact Fund, investments in individual investments sponsored or managed by companies in, or integrally related to, an Impact Fund's portfolio (including portfolio companies that act as "accelerators" or "incubators" for early-stage companies and which as part of their business make investments in such early-stage companies, certain of which may exhibit Workforce Impact characteristics or otherwise compete with an Impact Fund and/or its portfolio companies), any investment required to be offered to an Other Managed Account pursuant to the Two Sigma Group Allocation Policy (as defined below), and certain investments sourced by the Adviser outside of the fully dedicated members of the Two Sigma Impact Team.

The Adviser currently manages several other investment vehicles besides the Two Sigma Impact Fund, including the Non-Impact Funds. The Adviser employs a large number of investment professionals and staff to facilitate its various investment activities, however, other than as explicitly detailed in the applicable Memorandum, in general only the Two Sigma Impact Team members are anticipated to provide services and support primarily to the Impact Fund. In addition, the Two Sigma Impact Team may spend a portion of their business time and attention pursuing or assisting with investment opportunities for Other Managed Accounts, some of which may have third-party investors or may be owned exclusively or partly by the Adviser or its affiliates or certain of their respective members or personnel's. Following such time as a successor fund may be formed, the Two Sigma Impact team reserves the right to, and expects to, focus its investment activities on other opportunities and areas unrelated to an Impact Fund's investments.

Certain members or personnel's of the Adviser or its affiliates that are involved with an Impact Fund's operations, including members of the Two Sigma Impact Team and other members of an Impact Fund's investment committee, currently manage and/or expect in the future to manage Other Managed Accounts with investment strategies that may be similar to, or overlap with, the investment strategy of an Impact Fund and investments similar to those in which an Impact Fund will be investing, and may direct certain relevant investment opportunities to those Other Managed Accounts or investments. In particular, certain members of the Two Sigma Impact Team regularly participate in management of Other Managed Accounts sponsored by the Adviser or its affiliates, and consequently are not classified by the Adviser as fully dedicated members of the Two Sigma Impact Team. Certain members of the Two Sigma Impact Team will also have responsibilities outside of an Impact Fund, including with respect to other investment activities outside of the Adviser, and may devote a significant amount of time and attention to those activities, which may have a negative impact on an Impact Fund. In addition, the Two Sigma Impact Team, on the one hand, and the other investment teams of the Adviser, its affiliates or other parts of the Adviser, on the other hand, generally pursue different investment strategies, operate separately from one another and make investment decisions independently from one another, though the investment professionals of the Two Sigma Impact Team and investment professionals of the Adviser and its affiliates may also have regular formal and informal communications. There are times when Other Managed Accounts and/or an Impact Fund may seek to make the same investment, including as a result of independent investigation by the various investment teams managing an Impact Fund and Other Managed Accounts, or when two or more teams work in conjunction with one another to pursue an opportunity, including (without limitation) when an investment opportunity is deemed to be too large for an Impact Fund or an Other Managed Account to pursue on its own. The Adviser, TSI and their respective affiliates have adopted a policy regarding the allocation of investment opportunities among an Impact Fund, on the one hand, and Other Managed Accounts, on the other hand, which may impact the investment opportunities that are available to an Impact Fund (the

“Two Sigma Group Allocation Policy”). The Two Sigma Group Allocation Policy is not the result of arm’s length negotiations with any client or investor and will be subject to change, modification or adjustment in the future. Pursuant to the Two Sigma Group Allocation Policy, an Impact Fund will generally have priority over Other Managed Accounts with respect to investment opportunities that are sourced by fully dedicated members of the Two Sigma Impact Team and the Adviser will generally have a right to approve the participation of Other Managed Accounts in such opportunities. Similarly, Other Managed Accounts will have priority over an Impact Fund with respect to investment opportunities that Adviser affiliates or the Adviser’s or its affiliates’ personnel (other than fully dedicated members of the Two Sigma Impact Team) source, including with respect to investments that would otherwise constitute Fund Opportunities had they been sourced by fully dedicated members of the Two Sigma Impact Team. As a result of the Two Sigma Group Allocation Policy, an Impact Fund will have no guaranteed right to participate in investment opportunities identified by the Adviser, its affiliates or any other business unit or investment team at the Adviser (other than generally those sourced by fully dedicated members of the Two Sigma Impact Team) and furthermore, there may be instances where an Impact Fund may not be able to take advantage of all investment opportunities sourced by the Two Sigma Impact Team. In certain circumstances, during the period that a portfolio company is owned by an Impact Fund or Other Managed Account, it could become a suitable investment for one or more other Impact Funds or Other Managed Accounts due to size, revenue, earnings, change in business focus or other characteristics. An Impact Fund generally will not have a priority right to investments sourced by members of the Two Sigma Impact Team who are not fully dedicated to the Two Sigma Impact business. Investments sourced by such non-fully dedicated members of the Two Sigma Impact Team will be allocated by the Adviser on a fair and equitable basis under the circumstances, in accordance with the Adviser’s allocation policy and subject to relevant factors associated with the investment and the terms of the applicable governing documents of an Impact Fund, any Other Managed Account or the portfolio company, as applicable. To the extent an opportunity is allocated in its entirety to an Other Managed Account instead of an Impact Fund, an Impact Fund will not participate in any investment gains that it otherwise would have realized with respect to such opportunity had the opportunity been allocated to an Impact Fund. Moreover, the Adviser and/or an Impact Fund may not be compensated (or reimbursed) for the time and effort involved in identifying any such investment opportunity. To the extent an advisory opportunity is received that is unsuitable for an Impact Fund, in the Adviser’s sole discretion, the Adviser, its affiliates and their respective personnel reserve the right to refer such opportunity to third parties or to make personal investments in the relevant opportunity.

Notwithstanding the foregoing, investment opportunities that enhance the operating platform of Two Sigma and therefore would amount to more than a financial investment are considered “Strategic Opportunities” under the Two Sigma Group Allocation Policy. For example, such Strategic Opportunities may include strategic partnerships, commercial arrangements or co-development agreements with Two Sigma. With respect to Strategic Opportunities, Two Sigma, rather than the Adviser or an Impact Fund, will have priority, even if the Adviser or the Two Sigma Impact Team originally sourced the opportunity. The determination of whether an investment opportunity is “strategic” is made in accordance with the Two Sigma Group Allocation Policy and/or other applicable policies.

An Impact Fund generally will have no right to participate and will not be offered an opportunity to participate in investment opportunities that are not Fund Opportunities and such investment opportunities will also have the potential to compete with companies acquired by an

Impact Fund. The economics of an Other Managed Account may be more favorable to the Adviser or its affiliates than are those of an Impact Fund and may create additional incentives for the Adviser or its affiliates to allocate investments (including Fund Opportunities) to such Other Managed Accounts. The success of an Impact Fund and its portfolio companies will be dependent in large part upon the Two Sigma Impact Team's successful sourcing of investments, deployment of capital to make acquisitions and the ongoing support of portfolio companies. The Two Sigma Impact Team will be subject to conflicts as to whether, when, and how to deploy such capital and to whom investment opportunities will be allocated. Availability of capital, diversification and economic incentives of the Two Sigma Impact Team may cause assets that are related to, in the same sector as, or may otherwise be beneficial to a given portfolio company, to be allocated to another Impact Fund or Other Managed Accounts rather than an Impact Fund.

The Adviser believes that the significant investment of certain members of the Adviser in the Impact Funds, directly or indirectly, as well as the participation of the Adviser and members of the Two Sigma Impact Team in the Management Fee, carried interest or other sponsor economics, operate to align, to some extent, the interest of such person's with the interest of the other partners in the Impact Funds, although members of the Adviser have or will in the future have economic interests (including management fees and carried interest) in Other Managed Accounts and investments as well. Such Other Managed Accounts and investments that the Adviser or such Other Managed Accounts may engage in, finance, control transact with or manage may compete with or be competitive with an Impact Fund generally or a particular Impact Fund's portfolio companies individually. The Two Sigma Impact Team may have conflicts of interest in allocating their time and activity between an Impact Fund and the Other Managed Accounts and in effecting transactions between an Impact Fund and the Other Managed Accounts, including transactions in which the Adviser may have a greater financial interest.

Impact Funds will generally not be given access to the strategies utilized by the Adviser or its affiliates on behalf of the Other Managed Accounts. In addition, the Adviser or its affiliates may determine that there are conflicts of interest that limit their or their personnel's ability to engage in potential transactions, and an Impact Fund's activities may be constrained as a result of these conflicts of interest. Instances may arise where the Adviser exercises its discretion not to pursue a particular investment opportunity on behalf of an Impact Fund because of the potential restrictions that such pursuit may impose on the Adviser's ability to invest in or trade certain securities (or other assets) related to such investments on their own behalf or on behalf of the Other Managed Accounts. In addition, the Adviser or its affiliates may determine to implement screens or other information barriers that restrict the flow of information between the Two Sigma Impact Team and other parts of the Adviser or its affiliates, and the Adviser's or any of its affiliate's decision as to which areas of the Adviser or its affiliates may be affected may result in a conflict of interest between the Adviser, an Impact Fund and Other Managed Accounts. See "Material Non-Public Information" above. In addition, although the Adviser and its affiliates may share certain resources, the benefits of such arrangements may not be proportional among the entities in every instance, and certain entities, including an Impact Fund, may bear a greater cost or burden than others and such costs may be further allocated to their respective clients.

Subject to the limitations contained within an Impact Fund Agreement as well as the Adviser's policies and procedures, the Two Sigma Impact Team has the ability to invest in financial instruments for their own accounts, to engage in personal investments, whether or not through a formal family office or estate planning structure, to establish trusts, endowments,

charitable programs, foundations or similar arrangements, and to pay or receive compensation relating to the foregoing. This may on occasion create conflicts of interest with an Impact Fund with regard to such matters as deciding whether to participate in particular investments or to dispose of certain investments. In particular, the Adviser and equity holders, officers, principals and personnel's of the Adviser and its affiliates may buy or sell securities or other instruments that the Adviser has recommended to an Impact Fund. In addition, the Adviser and equity holders, officers, principals and personnel's of the Adviser and its affiliates may buy securities in transactions offered to but rejected by an Impact Fund, but will not in such circumstances be required to share in, reimburse or compensate the relevant Impact Fund for due diligence or other expenses (including broken deal expenses) incurred by the Impact Fund in connection with the Impact Fund's consideration of the relevant investment opportunity. Such transactions are subject to the policies and procedures set forth in the Adviser's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of an Impact Fund. Personnel's and related persons of the Adviser have, and are expected to continue to have, directly or indirectly, capital investments in an Impact Fund, portfolio companies or in prospective portfolio companies, and therefore may have additional conflicting interests in connection with these investments.

An Impact Fund's general partner generally is permitted to receive a distribution in kind from the Impact Fund, including in connection with investment dispositions or the payment in kind of amounts owed to the general partner as carried interest (which generally will be made using the value of the relevant securities on the date of distribution). In such circumstances, there is a potential conflict of interest between the general partner (and its beneficial owners) and the relevant Impact Fund's limited partners. For example, the general partner and its beneficial owners may intend to hold the investment for a different time period than the Adviser deems suitable for the Impact Fund. Although the general partner and its beneficial owners bear the risk that such securities will decrease during their holding period, to the extent the value of the relevant securities increases following the Impact Fund's disposition thereof, neither the relevant Impact Fund nor its limited partners will benefit from the increase, and over time the economic benefit to the general partner and its beneficial owners could exceed the value of the general partner's *pro rata* interest in the Impact Fund and the amount of carried interest owed. To the extent the beneficial owners of the general partner contribute such securities to a charity (including to a private foundation or other charitable organization associated with, operated or chosen by such persons or their families), any tax efficiencies or other personal benefits associated with the contribution will inure to the benefit of such beneficial owners rather than to the Impact Fund or its limited partners.

One or more Other Managed Accounts may participate alongside an Impact Fund in certain investments, which may involve risks not present in investments where a co-investor is not involved. While the Two Sigma Impact Team generally expects that an Impact Fund and such Other Managed Accounts will, in such cases, make follow-on investments in, and exit from, such investments on substantially the same terms and at substantially the same time, subject to legal, tax and regulatory considerations, this may not always be the case and the investment performance of such Impact Fund and such Other Managed Account(s) may differ due to, among other things, the use of leverage (or absence of leverage) as between such vehicles, different investment horizons or terms, the exercise of remedial measures by one or more of such vehicles, or different economic arrangements. There can be no assurance that an Impact Fund and such Other Managed Account will invest in, or exit from, the investment at the same time or on the same terms, and there can be no assurance that such Impact Fund's return on such an investment will be the same as

the returns achieved by any Managed Account participating in such transactions. Such Impact Fund may also be obligated to contribute more capital to a portfolio company than it otherwise would or elect not to exercise additional funding rights or pursue additional rights and, in either case, such Impact Fund's investment could suffer material adverse effects.

Furthermore, as an Impact Fund and any Other Managed Account that participates alongside such Impact Fund will have different portfolios, it is possible that the Two Sigma Impact Team's incentives to take risks would differ as between the two investment accounts in an effort to generate additional carried interest proceeds. In determining whether an Impact Fund should participate in an investment opportunity or in making a determination as to whether an investment opportunity is part of an applicable Impact Fund, the Adviser, its affiliates and the Two Sigma Impact Team are subject to potential conflicts of interest among the investors in such Impact Fund and investors in such Other Managed Accounts. The terms of any such Other Managed Accounts may differ from the terms of a particular Impact Fund with respect to carried interest, Incentive Allocation, management fees or other terms. Such differences in terms also create an incentive for the Adviser to cause an Impact Fund to make riskier or more speculative investments in conjunction with another Managed Account or to hold such an investment longer than otherwise would be the case.

In addition, because the interests of an Impact Fund and Other Managed Accounts may vary, the Adviser will face a conflict of interest in respect of the advice it gives to, and the actions it takes on behalf of, such Impact Fund versus another Managed Account with respect to an investment. Given the nature of such conflicts there can be no assurance that any such conflict can be resolved in a manner that is beneficial to both the applicable Impact Fund and the other Managed Account, and the action taken for the other Managed Account may be adverse to such Impact Fund. Additionally, it is possible that an Impact Fund may be invested in a portfolio company in which another Managed Account has an interest in a different part of the capital structure, or vice versa. As an investment adviser to both such Impact Fund and any such Managed Account, the Adviser would owe duties to such Managed Account, as well as to the Impact Funds, as modified by the respective governing agreements. Consequently, given the differing classes and corresponding priorities in the capital structure of such a portfolio company and/or the Adviser would in such circumstances face a conflict of interest in respect of the advice it gives to, and the actions it takes on behalf of, such Managed Account and such Impact Fund (e.g., in the case of a portfolio company of an Other Managed Account that provides financing to a portfolio company of the Managed Account, with respect to the structure and terms of the debt facilities, the enforcement of rights and remedies, and the resolution of restructurings or bankruptcies).

The Adviser's ability to implement the Impact Funds' strategies effectively may be limited to the extent that contractual obligations entered into in respect of investments made by the Adviser or an Other Managed Account impose restrictions on an Impact Fund engaging in transactions that the Adviser may otherwise be interested in pursuing. Investments by an Impact Fund and another Managed Account in a portfolio company also raise the risk of using assets of such Impact Fund to support positions taken by another Managed Account or a fund managed by affiliate, or that the other Managed Account may remain passive in a situation in which it is entitled to vote. Furthermore, actions taken for one or more Other Managed Accounts (or not taken by an Impact Fund) could adversely affect an Impact Fund, and it is possible that such Other Managed Accounts will have financial difficulties or constraints resulting in an adverse impact on an Impact Fund.

To the extent an Impact Fund and another Managed Account invest side-by-side in an

investment, such Managed Account will be free to make decisions regarding the investment based on its own interests. Such interests may include strategic goals as well as, or in lieu of, financial goals. The interests of the applicable Impact Fund and such Managed Account could diverge: Other Managed Accounts could have (a) investment goals, (b) investment timelines, and/or (c) resources available to effectuate investments that, in each case, differ from those of such Impact Fund. These differences have the potential to affect the timing and amount of such Impact Fund's gain or loss on its investment. Such Managed Account could also have greater control or influence over an investment and therefore a greater ability to promote its interests. As an example, an Impact Fund and such Managed Account may enter into contractual obligations providing that such Impact Fund and such Managed Account will simultaneously take the same action with respect to a portfolio company on a *pro rata* basis, such that even if a potential action would be to the benefit of the Managed Account and the detriment of such Impact Fund, such Impact Fund would be contractually obligated to take such action on the basis that such action is being taken by the Managed Account.

The Impact Funds are expected to co-invest with Other Managed Accounts through partnerships, joint ventures or other entities. Such investments may involve risks not present in investments where a co-investor is not involved, including the possibility that such Managed Account may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals which are inconsistent with that of the Impact Funds, or may be in a position to take action contrary to the Impact Funds' investment objectives. The Adviser will be responsible for allocating expenses between the Impact Funds and such Managed Account and may have considerable latitude in doing so, and there can be no assurances that the Adviser will allocate such expenses in the manner most favorable to any Impact Fund. In addition, an Impact Fund may in certain circumstances be liable for the actions of another Managed Account alongside which it has co-invested or had considered co-investing. Furthermore, differences in terms between an Impact Fund and such Managed Account create a conflict of interest for the Adviser and its respective affiliates, as the compensation of the Adviser and its affiliates, as applicable, is impacted by the allocation of such expenses.

It is also possible that the companies in which an Impact Fund or Other Managed Accounts invest will provide services to investment funds and assets held or managed by, in the case of an Impact Fund, Other Managed Accounts or, in the case of Other Managed Accounts, an Impact Fund. In such cases, the Adviser could be subject to conflicts of interest in entering into, setting the terms of, and renewing or determining to cancel or modify contracts for the provision of such services. The Adviser could determine that it is in the best interests of an Other Managed Account to cease having a portfolio company service one of an Impact Fund's assets. There is no obligation to make any such determination in the best interest of an Impact Fund or any of its portfolio companies, and such withdrawal or cessation of services may materially affect the value of the applicable portfolio company in which an Impact Fund is invested. The Adviser could also have an incentive to cause a portfolio company to accept lower rates for services performed in respect of such assets held by an Other Managed Account than it otherwise would accept. Portfolio companies of an Impact Fund or Other Managed Accounts will generally be permitted to engage in transactions in the ordinary course of their respective businesses.

Conflicts would also arise in situations where the Adviser could potentially cause portfolio companies owned by an Impact Fund and another Managed Account to merge in whole or part with each other or to be purchased or sold in whole or in part to each other. Such transactions may

lead to a conflict of interest because the Adviser controls the investment vehicles and/or portfolio companies on each side of such transactions. Depending on the transaction structure, such transaction may disproportionately benefit the purchasing, selling, or merging entity (or the Adviser as a result of its interests in the investment vehicles), and the applicable Impact Fund may incur expenses or forego gains that would have been obtained had it not exited such company or companies. The Adviser's determination of consideration or other terms of such transactions may create a conflict of interest because the terms (including the fee, carried interest and Incentive Allocation terms) of an Impact Fund and the Managed Account may create an incentive for the Adviser to cause an Impact Fund to overpay or to accept lesser consideration than it would otherwise accept. The acquisition or merger by an Other Managed Account may also lead to the Managed Account holding the remaining portion of the company, if any, longer than it otherwise would have, which may increase the risk for loss. Generally, except as provided in the applicable Fund Agreement, such transactions would be subject to the approval of the Adviser's advisory board. Given the nature of these conflicts, there can be no assurance that the resolution of these conflicts will not be adverse to any Impact Fund.

Investors in the Impact Funds include, directly or indirectly, persons or entities organized in various tax jurisdictions, which may have conflicting investment, tax and other interests with respect thereto. As a result, conflicts of interest may arise in connection with decisions made by the Adviser that likely will be more beneficial for one type of investor than for other types of investors, especially with respect to investors' individual tax situation (including with respect to the nature or structuring of investments). In making decisions, the Adviser intends to consider the investment objectives of each Impact Fund as a whole, and not the investment objectives of any investor of an Impact Fund individually. Because a significant portion of certain Impact Funds' capital commitments will be, directly or indirectly, committed by the Adviser's affiliates and certain of the founding members of the Adviser and its affiliates (collectively, the "Founder Investors"), conflicts may arise between the interests of the Founder Investors and those of an Impact Fund and its investors who are not Founder Investors in relation to certain decisions regarding, among other things, the nature of investments made by the Impact Fund, the structuring or the acquisition of investments and the timing of disposition of investments.

The fact that the Adviser's carried interest is based on a percentage of net profits may create an incentive for the Adviser to cause an Impact Fund to make riskier or more speculative investments or to hold an investment longer than otherwise would be the case. In addition, because the Impact Funds have a fixed investment period after which capital from investors generally may only be drawn down in limited circumstances, and because the management fee after the end of the investment period is calculated based upon the invested capital of the Impact Funds, the management fee structure may create an incentive for the Adviser to deploy capital when it might not otherwise have done so. The Adviser could also be incentivized to operate the activities of an Impact Fund, including decisions of when to acquire or dispose of investments, based on the tax treatment of its carried interest.

The Memorandum and Fund Agreements provide the Adviser with wide-ranging authority to make determinations, including those related to investment purchases, dispositions and other realizations (and their timing), valuation and other matters that in each case have the potential to affect the Adviser's compensation. In making such determinations, the Adviser is subject to potential conflicts of interest. For example, the potential to earn additional compensation creates an incentive for the Adviser or its affiliates to make investments and to hold investments longer

than otherwise would be the case in the absence of the relevant Management Fee and carried interest compensation arrangements. The Adviser expects to be incentivized to cause an Impact Fund to make, hold, value and/or dispose of investments (and to delay or forego a determination that would result in an investment being an Impaired Value Investment) in order to receive greater ongoing Management Fees and, potentially, earlier and/or larger carried interest distributions than would otherwise be the case.

Where Management Fees are calculated taking into account the valuation of an investment (e.g., in connection with certain write-off or permanent write-down determinations, as required by the applicable Fund Agreement), the Adviser will have incentives to make determinations that result in higher, and in the continued payment of, Management Fees. Where the Fund Agreement does not require Management Fees to be reduced in connection with investment reorganizations, restructurings, roll-over investments, extraordinary dividends or similar transactions, the Adviser is incentivized to pursue such transactions. Additionally, the amount of carried interest owed to the relevant general partner is dependent in part on the amount and timing of investment dispositions or realizations, as well as, in certain instances, determinations that could result in an investment being an Impaired Value Investment, and the relevant general partner expects to be subject to related potential conflicts of interest in determining whether and when to dispose of or realize investments, make distributions, and/or make other determinations that could result in an investment being an Impaired Value Investment, within the requirements of the relevant Fund Agreement.

The Adviser's wide-ranging authority on determinations that could result in investments being Impaired Value Investments, and the criteria used by the relevant general partner or its affiliates in valuing an investment, or making determinations that could result in an investment being an Impaired Value Investment, have the potential to be subjective, to be influenced by market information and other factors and to vary over time. There can be no assurance that a third party or investor would agree with the substance or timing of the relevant general partner's determination resulting in an investment being an Impaired Value Investment, and except as set forth in the Memorandum and Fund Agreement, neither the general partner nor its affiliates is obligated to follow any third-party methodology in making its determination on whether an investment meets the relevant standards or whether value can be recovered or retained during the Impact Fund's holding period. The applicable general partner is entitled to make its own determination taking into account all facts and circumstances it deems relevant, subject to the provisions of the relevant Fund Agreement. As a general matter, the standards to be met in order for an investment to be considered an Impaired Value Investment are intended to be high, and are not generally intended to apply to investments experiencing partial or temporary declines in value. Because the amount of the Adviser's compensation is dependent in part on an investment's status as an Impaired Value Investment, the relevant general partner faces potential conflicts of interest in determining whether an investment meets, or continues to meet, the relevant criteria. Although the Adviser intends to operate in accordance with the Fund agreements, as well as its valuation policy, in order to mitigate the potential for subjectivity in making such determinations, there can be no assurance that such policy will address all of the necessary factors to do so, or completely eliminate all potential conflicts of interest in such determinations.

There is not expected to be an actively traded market or otherwise readily available market quotes for most of the securities owned by the Impact Fund. When estimating fair value, including in connection with an in-kind distribution, the Adviser will apply a methodology it determines to



be appropriate based on accounting guidelines and the applicable nature, facts and circumstances of the respective investments. However, the process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from values that would have been determined had an active market existed for such securities and may differ from the prices at which such securities ultimately may be sold or the valuations given if evaluated by independent third parties. The exercise of discretion in valuation by the Adviser may give rise to conflicts of interest, including in connection with determining the amount and timing of distributions of carried interest and the calculation of Management Fees. As a result, there will be circumstances where the Adviser is incentivized to determine valuations that are higher than the actual fair value of the Impact Fund's portfolio companies.

The Adviser may be faced with a variety of potential conflicts of interest when it determines allocations of various fees and expenses to the Impact Funds, the Other Managed Accounts, and their respective portfolio companies. The Adviser, in its sole discretion, will allocate fees and expenses in accordance with the applicable Fund Agreement and in a manner that it believes is fair and equitable to the Impact Funds under the circumstances over time and considering such factors as it deems relevant, which will vary depending on the type of expense and may include, without limitation, allocations based on assets under management, net asset value, holdings percentages, number of positions held by different funds and accounts, number of funds and accounts in a particular strategy, number of users of such resource within a strategy, relative trading volume and time spent. The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, *e.g.*, in determining which Impact Funds or co-invest vehicles benefit (or the extent to which they benefit) from the relevant service relating to the expense, or whether to allocate *pro rata* based on number of funds or co-investors receiving related benefits or proportionately in accordance with asset size. An Impact Fund will bear certain fees and expenses related to unconsummated transactions that would have been borne by Other Managed Accounts or potential co-investors had such transaction been consummated. The Adviser will be required to decide whether costs and expenses are to be borne by an Impact Fund, on the one hand, or an Impact Fund's general partner and/or the Adviser, on the other. A conflict of interest could arise in the Adviser's determination whether certain costs or expenses that are incurred in connection with the operation of an Impact Fund meet the definition of partnership expenses for which an Impact Fund is responsible, or whether such expenses should be borne by the Adviser. The Adviser will make such judgments in its discretion and in a manner that is fair and equitable under the circumstances, notwithstanding its interest in the outcome. Subject to applicable law and legal, contractual or similar restrictions, an Impact Fund will be reliant on the determinations of the Adviser in this regard, and also in regard to the allocation of investment expenses and any common operating expenses as among an Impact Fund, the Other Managed Accounts, and the Adviser, including with respect to the determination of whether unconsummated transactions would have been allocated to an Impact Fund and therefore are properly allocable in whole or in part to an Impact Fund. Further, despite the Adviser's good faith judgment to arrive at a fair and equitable expense allocation methodology, the use of any particular methodology may lead an Impact Fund to bear relatively more expense in certain instances and relatively less in other instances compared to what an Impact Fund would have borne if a different methodology had been used. The Adviser in its good faith judgment may implement corrective allocations, and revise or change previously determined allocation methodologies, in an effort to ensure that such expenses remain fairly and reasonably allocated among an Impact Fund, Other Managed Accounts, and Two Sigma.

The management fee charged to investors in an Impact Fund will generally be reduced by an amount equal to 100% of the portion of any transaction fees, break-up, monitoring fees, directors' fees, financial consulting fees or advisory fees from portfolio companies (as previously defined, collectively, "Transaction Fees") allocable to non-affiliated investors to the extent received and retained by the Adviser; provided that certain amounts will be excluded from such reduction as described in an Impact Fund's Memorandum or otherwise as provided for in the applicable Fund Agreement. The amounts provided for by such exclusions, including the portion of Transaction Fees used to support the provision of Affiliate Services (as further described below), could be substantial and could have the potential to reduce or eliminate any amount of Transaction Fees that would otherwise offset the management fee. Any Transaction Fees with respect to an investment in a particular portfolio company will generally be allocated amongst an Impact Fund, Other Managed Accounts and other investors in such portfolio company in proportion to the cost (typically the equity cost) of the investment in the portfolio company held by each (or the investment proposed to be held) by each. Subject to applicable legal, tax, contractual or similar restrictions, expense allocation decisions will generally be made by the Adviser using its best judgment, considering such factors as it deems relevant, but in its sole discretion. Other Managed Accounts may have different expense reimbursement terms, including with respect to management fee offsets, which may result in an Impact Fund bearing different levels of expenses with respect to the same investment. As described in the applicable Memorandum and as set forth in the applicable Fund Agreement, an Impact Fund will only benefit from a management fee reduction with respect to the portion of any such Transaction Fees allocable to non-affiliated investors and not the portion of any fee allocable to any other investor in a portfolio company.

Additionally, an Impact Fund's portfolio companies are expected to reimburse the Adviser, FB Members or other service providers retained at the Adviser's discretion for expenses (including without limitation those associated with the purchase or license of data or other information and any travel or other out-of-pocket expenses) incurred by the Adviser, FB Members or such service providers in connection with its performance of services for such portfolio company. Service provider expenses are required to be reimbursed whether or not there is overlap in expertise, function or services performed by Adviser personnel. The Adviser will determine in its sole discretion whether any such expenses will be billed directly to a portfolio company as a standalone payment, incorporated as part of a master agreement for multiple services for the portfolio company, or otherwise paid by the Adviser. To the extent a master services or other agreement with a portfolio company provides for services to be provided that are excluded from Transaction Fees (i.e., those that would not reduce the management fee), the Adviser will determine the extent of such Affiliate Services performed for such portfolio company and the allocable cost of providing such services will reduce amounts paid by portfolio companies that would otherwise constitute Transaction Fees (i.e., Transaction Fees that would reduce the management fee will net out Affiliate Services). Such netting will reduce, or in some cases eliminate, any amount of Transaction Fees that would have otherwise resulted in a reduction of the management fee.

The Impact Funds expect to have controlling interests in many of their portfolio companies. With respect to such companies, the Adviser typically has the right to appoint portfolio company board members (including current or former the Adviser personnel or persons serving at their request), or to influence their appointment, and to determine or influence a determination of their compensation. Portfolio company board members may frequently approve compensation and/or other amounts payable to the Adviser and/or its affiliates, and, except to the extent such amounts are subject to the applicable Fund Agreement's offset provision, are in addition to the

management fee, carried interest and Incentive Allocation discussed herein. The Adviser's authority to appoint or influence the appointment of portfolio company board members who may be involved in approving compensation payable to the Adviser subjects the Adviser and any such portfolio company board appointees to potential conflicts of interest.

Expenses reimbursement subjects the Adviser and its affiliates to conflicts of interest because the Impact Funds are not expected to have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. The Adviser will typically determine the amount of these reimbursements for such services in its own discretion, subject to the applicable Fund Agreement and its internal reimbursement policies and practices.

Certain expenses are paid for by an Impact Fund and/or its portfolio companies or, if incurred by the Adviser, are reimbursed by the Impact Fund and/or its portfolio companies. This subjects the Adviser to conflicts of interest because the Adviser will not necessarily seek out the lowest cost options when incurring (or causing the Impact Fund or its portfolio companies to incur) such expenses.

The Adviser will generally exercise its discretion to recommend to an Impact Fund or to a portfolio company thereof that it contract for services with certain service providers, and such service providers are expected to include (i) the Adviser or a related person of the Adviser (which is permitted to include another portfolio company of an Impact Fund), (ii) an entity with which the Adviser or its affiliates or current or former personnel has a relationship or from which the Adviser or its affiliates or their personnel otherwise derives financial or other benefit, including relationships with joint venturers or co-venturers, or relationships where the Adviser personnel are seconded, or from which the Adviser receives secondees; or (iii) certain investors or their affiliates. These situations will subject the Adviser to conflicts of interest, because although the Adviser selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the Impact Funds, the Adviser 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 the Adviser, 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 an Impact Fund or the Adviser), would favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Although the Adviser generally seeks appropriate rates for services, it reserves the right to prioritize prior usage, perceived quality, sector competence or expertise, familiarity, onboarding speed or other factors in retaining or recommending service providers. Additionally, certain service providers, their affiliates and/or personnel have invested in, or co-invested alongside, one or more Impact Funds, and the Adviser expects such persons to do so in the future, and due to the nature of the service provider relationships and the timing of services these persons have the potential to have information advantages relative to other investors or co-investors, and likely will be offered co-investment opportunities before such opportunities are presented to other interested prospective co-investors. Based on the foregoing factors, limited partners should not expect service providers to provide services to the Adviser or any Impact Fund that will be the most beneficial to any limited partner.

In certain circumstances where the Adviser commits or has committed to seek "market" or "arms-length" rates or terms, the Adviser will do so in its sole discretion, seeking rates that it has determined in its sole discretion to be reflective of the range of rates in the applicable or related

markets. The Adviser reserves the right to deem third-party investment in a transaction to be verification that the transaction was entered into at a value that is “arms-length.” Consequently, the Adviser undertakes no minimum amount of benchmarking, and does not represent that any such benchmarking relates specifically to the assets, services, geographics or comparable markets to which such rates or terms relate.

Whether or not the Adviser 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. Furthermore, certain amounts paid to the Adviser or its affiliates in respect of such services will not reduce the Management Fees. The Adviser has incentives to use or to recommend products or services of one portfolio company to another, which generally will involve fees, commissions, servicing payments or other compensation. Potential conflicts of interest arise in making such recommendations, as the Adviser has incentives to maintain goodwill between it and its former, existing and prospective portfolio companies, and as a result the products or services recommended may not necessarily be the best or lowest cost option.

In addition, subject to certain limitations described in an Impact Fund Agreement, the Adviser will cause an Impact Fund, directly or indirectly (including through a reduction of the amount of Transaction Fees offsetting the management fee, the issuance of a profits or equity interest in an intermediate holding company of the Fund, a reimbursement of the Adviser and/or a direct payment to such person), to bear the expenses of certain services provided by the Adviser and its operating affiliates and certain persons affiliated with, employed or retained by the Adviser (the “Affiliated Service Providers”, and such services, including services that may be similar in nature to those provided by portfolio management teams, collectively, “Affiliate Services”). Examples of Affiliated Service Providers include, without limitation, any person serving (full-time or part-time) (i) as an operating partner or similarly titled person that is employed or retained by the Adviser, an Impact Fund, any portfolio company or any of their respective affiliates or successors to provide services to and/or support to a portfolio company with respect to the managerial, operational or policy making aspects of such portfolio company’s business, including value-added initiatives such as workforce impact measurement or improvement and data science services (“Operating Partners”), (ii) as a “senior advisor” or similarly titled person with respect to the Adviser, an Impact Fund or its affiliates (whether or not such person is an employee thereof) who serves as a consultant to a portfolio company’s management team (“Senior Advisor”), and (iii) any person (whether on a full- or part-time basis) serving in a role similar to, or supporting, Operating Partners or Senior Advisors. Operating partners and Senior Advisors are expected to include former personnel of the Adviser or certain portfolio companies, and in some circumstances former Operating Partners and Senior Advisors are expected to become Adviser personnel or personnel of portfolio companies. Consequently, the determination of whether individuals are Operating Partners or Senior Advisors is expected to vary and/or be revisited over time. The Adviser will retain broad discretion as to the specific persons or types of persons that will be classified as any of the foregoing now or in the future, including whether they provide services on an exclusive or non-exclusive basis to an Impact Fund and/or its portfolio companies (including varying amounts of time devoted to an Impact Fund on either a temporary or interim basis) as well as whether or not they are designated personnel of the Adviser or the Two Sigma Impact Team.

The Adviser will receive payment or reimbursement for services provided to portfolio companies by Two Sigma’s Strategic Data Science personnel, Operating Partners, Senior Advisors

or certain other Adviser personnel and any such payment or reimbursement will not reduce an Impact Fund's management fee to the extent permitted by the Fund Agreement, and the use of Operating Partners and Senior Advisors is expected to fluctuate and/or expand over time. Compensation for Operating Partners or Senior Advisors directly from portfolio companies or intermediate holding vehicles of an Impact Fund can include director's fees, consultant fees, retainer fees, success fees and other fees, salary, cash bonuses, promotes, profit sharing, a percentage of the value of the relevant portfolio company, incentive equity, a profits or equity interest in an Impact Fund or an Impact Fund's general partner, stock options, stock awards, co-investment rights and other non-cash compensation, benefits and incentives and reimbursement of expenses. Under many of these arrangements, there can be no assurance that the amount of compensation paid in a particular year will be proportional to the amount of hours worked or the amount or written work product generated by the Operating Partner or Senior Advisor. Any such compensation to an Operating Partner or Senior Advisor will not reduce an Impact Fund's management fee or carried interest in respect of such Impact Fund, and compensation in the form of profits or equity interests in a portfolio company or intermediate holding company of an Impact Fund generally has a dilutive impact on an Impact Fund's investment. However, the Adviser reserves the right in its sole discretion to elect to share a portion of Impact Fund's management fee or carried interest with one or more Operating Partners, Senior Advisors or other persons providing Affiliate Services. The decision to permit any Operating Partner or Senior Advisor or other person providing Affiliate Services to share in any such management fees or carried interest or similar incentive equity arrangements will not affect an Impact Fund's obligation to pay the other costs, fees and expenses described above (except to the extent required by the Fund Agreement). The cost of an Affiliated Service Provider's compensation and related expenses, including travel costs, temporary, semi-permanent or permanent housing or relocation costs and any applicable overhead, such as accounting, network, communications, administration and other support benefits and office space, as well as the purchase or licensing of any data or other information utilized for the benefit of a portfolio company or an Impact Fund all constitute "Affiliate Service Costs." Personnel of the Adviser could be seconded to, or serve in a temporary or part-time capacity for, portfolio companies, which would be included within Affiliate Service Costs. Affiliate Service Costs are typically paid in exchange for services that an Impact Fund or the portfolio companies would otherwise need to engage third-party providers to perform (to the extent that such services were available by third-party providers) and there can be no assurance that a third-party provider is not more qualified to provide the applicable services or could provide such services at a lower cost. While such Affiliate Service Costs will be at such rates, or in such amounts, as the Adviser believes to be similar or less than those costs expected to be paid for similar services from third parties (to the extent they were available), there can be no guarantee that a portfolio company would retain a service provider or resource of similar quality and/or cost, and exclusive arrangements or other factors could result in particular Affiliate Service Costs not always being comparable to costs, fees and expenses charged by third parties. In addition, the Adviser will be required to exercise its own discretion as to the appropriate cost of services where there is not a third-party product or service that is directly or readily comparable to the products or services from Affiliated Service Providers, and there is no guarantee that every or any third-party would agree that such Affiliate Service Costs are what a third-party provider would charge and the Adviser will not be required to engage in third-party verification or benchmarking of estimated costs, rates or expenses in connection with any individualized service, task or function, and furthermore will generally only conduct benchmarking on the basis, and with such frequency, as it determines is reasonable under the circumstances. All investors should be aware that the Adviser is incentivized to use Affiliate

Services instead of third-party providers, or may not have a choice as to provider where no similar service is available from a third-party, and that will lead to potential conflicts of interests. Subject to the terms of an Impact Fund Agreement, Affiliate Service Costs received by the Affiliated Service Providers in connection with their services will be substantial, including any amounts paid in connection with particular transactions or investments, and in some instances will exceed the management fee paid by an Impact Fund for investment advisory services in one or more quarters. Subject to the terms of the applicable Fund Agreement and including any additional costs or expenses approved by an advisory board in the future, Affiliate Service Costs will not reduce the management fee paid by an Impact Fund.

Further, in connection with providing services to an Impact Fund or its portfolio companies, the Adviser and Affiliated Service Providers are expected to have access to and be granted the right to use certain data, business and financial information, operational know-how and other confidential and/or proprietary information of an Impact Fund's portfolio companies and their affiliates (collectively, "Portfolio Company Data"). While neither the Adviser nor its affiliates intend to use any Portfolio Company Data to the direct detriment of any of an Impact Fund's portfolio companies, certain Portfolio Company Data are expected to be used in the other business and investment activities of the Adviser, its affiliates or Other Managed Accounts (including through incorporation in financial models and investment algorithms), in each case subject to legal, contractual and other related obligations applicable to such party(ies), which could be beneficial to such other activities but have direct or indirect adverse effects on the business, financial conditions and results of operations of an Impact Fund's portfolio companies. The Adviser, its affiliates or Other Managed Accounts may generate a profit through the use of Portfolio Company Data, including, but not limited to, through the creation and sale and/or licensing of products and/or services to portfolio companies and/or third parties containing, or capitalizing on the use of, Portfolio Company Data, and the Adviser may recommend or encourage that an Impact Fund's portfolio companies, and/or third parties with whom such portfolio companies conduct business, purchase and/or license such products and/or services, whether directly from the Adviser or its affiliates or from unrelated third parties with whom the Adviser or its affiliates conducts business and receives fees for the sale and/or license of products and services. The Adviser, its affiliates or Other Managed Accounts may create, develop and/or modify Portfolio Company Data for their own benefit or for the benefit of a portfolio company of an Other Managed Account or a portfolio company of an Impact Fund other than where such Portfolio Company Data was derived. Although the Adviser believes that these activities improve the Adviser's investment management activities on behalf of an Impact Fund, Portfolio Company Data also provides material benefits to the Adviser, its affiliates and Other Managed Accounts without compensation or other benefit accruing to an Impact Fund and its investors. For example, information from a portfolio company owned by an Impact Fund may enable the Adviser, its affiliates or Other Managed Accounts to better understand a particular sector or industry or other vertical and execute investment and trading strategies in reliance on that understanding for the Adviser and Other Managed Accounts that do not own an interest in the portfolio company, without compensation or benefit to an Impact Fund or its portfolio companies. Furthermore, except for contractual obligations to third parties to maintain confidentiality of certain information, and regulatory limitations on the use of material nonpublic information, the Adviser and its affiliates are generally free to use data and information from an Impact Fund's activities to assist in the pursuit of the Adviser's and its affiliates' various other activities, including to trade for the benefit of the Adviser, its affiliates or an Other Managed Account. Any confidentiality obligations in the applicable Fund Agreement do not limit the Adviser's ability to do so. For example, the Adviser's ability to trade in securities of an issuer or

provide advice or recommendations relating to a specific sector or industry or other vertical may, subject to applicable law, be enhanced by information of a company in the same or related sector or industry or other vertical, as applicable. Such trading is expected to provide a material benefit to the Adviser, its affiliates or Other Managed Accounts without compensation or other benefit to an Impact Fund, its portfolio companies or its investors. The sharing and use of such data and other information, including aggregated data from multiple sources to which each supplying source does not receive such other data in return, presents potential conflicts of interest, and any benefits received by the Adviser, its affiliates or Other Managed Accounts (including fees (in cash or in kind), costs and expenses) will generally not be subject to management fee offset provisions or otherwise shared with an Impact Fund or its investors. As a result, the Adviser has an incentive to pursue investments that have data and information that can be utilized in a manner that benefits the Adviser, its affiliates or Other Managed Accounts.

In the event that an Impact Fund or a portfolio company purchases or licenses a product or service (including data sets) directly from the Adviser or its affiliates or from a third party that has a business relationship with the Adviser or its affiliates pursuant to which such third party pays a portion of the sales or licensing fees it receives (including from an Impact Fund or its portfolio companies) to the Adviser or its affiliates, such person will receive such sales or licensing fees as additional compensation, whether directly from an Impact Fund or its portfolio companies or indirectly through payments made by an Impact Fund or its portfolio companies to such third parties. It is not expected that an Impact Fund or its portfolio companies will be compensated for any Portfolio Company Data, even if the Adviser or other persons would be willing to pay or compensate others for the same or similar types of information, and any profit, compensation or other benefit derived from such use of Portfolio Company Data will be retained by the Adviser, its affiliates or Other Managed Accounts and will not reduce the Management Fee paid by an Impact Fund.

The Adviser will generally appoint one or more investor representatives to an Advisory Board and certain investors will be entitled to weighted voting rights or the right to appoint more than one representative to such Advisory Board. Those representatives will have various business interests and relationships involving the Adviser, an Impact Fund, its portfolio companies, or their respective service providers and counterparties, as well as other interests outside of the foregoing. An Impact Fund Partnership agreement may provide that to the fullest extent permitted by applicable law, none of the Advisory Board members shall owe any fiduciary duties to an Impact Fund or any other Partner and therefore when making decisions, Advisory Board members may consider any or all of the foregoing interests, including their own interests, which may conflict with the interest of an Impact Fund or other investors.

The Adviser may appoint a board of individuals (the “Founders Board”) that have professional experiences or other qualifications to inform and make recommendations to the Adviser and its affiliates. The Founders Board will not provide investment advice or make investment decisions, but will, among other involvement, primarily inform and recommend areas of advancement, improvement or opportunity for positive workforce changes related to the investment focus of an Impact Fund. An Impact Fund’s Partnership agreement will provide that to the fullest extent permitted by applicable law, none of the FB Members shall owe any fiduciary duties to an Impact Fund or to investors. The role of the Founders Board may give rise to certain conflicts of interest. For example, the FB Members will have an incentive to recommend certain opportunities that could result in an Impact Fund investing in a portfolio company in which certain

FB Members already hold existing material investments. The FB Members will in some cases also control, manage or hold investments that compete with an Impact Fund or the portfolio companies. In addition, the FB Members will have separate arrangements with the Adviser, an Impact Fund or its portfolio companies in addition to their service on the Founders Board, which may give rise to additional conflicts of interests not specifically described herein and there can be no assurance that such conflicts will be identified or resolved in the future, or if resolved, that such conflicts will be resolved in a manner that is favorable to or benefits an Impact Fund. Further, FB Members will have significant responsibilities outside of an Impact Fund, including with respect to other investment activities, and may choose to devote a significant amount of time and attention to those outside responsibilities, which could have a negative impact on an Impact Fund. Members of the Founders Board are also permitted to serve as Senior Advisors.

The Adviser (on behalf of itself and an Impact Fund) and/or its affiliates, as applicable, will enter into side letters or other similar agreements with certain investors in connection with each such investor's admission to an Impact Fund or parallel funds without the approval of any other investor, which would have the effect of establishing rights under or altering or supplementing the terms of an Impact Fund agreement or governing documents of a parallel fund, as applicable, with respect to such investors in a manner more favorable to such investors than those applicable to other investors. Such rights or terms in any such side letter or other similar agreement may include, without limitation, (i) excuse or exclusion rights applicable to particular investments (which may increase the percentage interest of other investors in, and contribution obligations of other investors with respect to, such investments), (ii) the Adviser's agreement to extend certain information rights or additional reporting to such investor, including, without limitation, to accommodate special tax, regulatory or other circumstances of such investor, (iii) waiver or modification of certain confidentiality obligations and/or documentation that might be requested by the Adviser for the benefit of lenders or other persons extending credit to or arranging financing for an Impact Fund, (iv) consent of the Adviser to certain transfers by such investor or other exercises by the Adviser of its discretionary authority under an Impact Fund agreement for the benefit of such investor, (v) restrictions on, or special rights of such investor with respect to the activities of the Adviser, (vi) withdrawal rights (subject to consent of the Adviser) due to legal, regulatory, tax, accounting or policy matters, including matters related to political contributions, gifts and other such policies, (vii) other rights or terms necessary in light of particular legal, regulatory or public policy characteristics of an investor, (viii) economic arrangements (including, for example, with respect to any carried interest, servicing fees and/or management fees to be charged to investors), (ix) acknowledgement of interest in co-investment opportunities and/or matters regarding such investor's right to participate in co-investment opportunities (including, without limitation, preferential allocation thereof and the terms and conditions related to such participation (including any carried interest and/or management fees to be charged with respect thereto)), (x) matters regarding such investor's (or its affiliates') interest in providing debt financing to an Impact Fund or its portfolio companies, (xi) additional obligations, and restrictions of an Impact Fund with respect to the structuring of any investment (including with respect to alternative investment vehicles), or (xii) any other matters described herein. While it is possible that an Impact Fund will, along with the Adviser itself, benefit from the existence of those side agreements, it is also possible that such side agreements may permit such investors to take actions on the basis of information not available to other investors that do not have the benefit of such agreements. Any rights or terms so established in a side letter with an investor will govern solely with respect to such investor (but not any of such investor's assignees or transferees unless so specified in such side letter) and will not require the approval of any other investor notwithstanding



any other provision of an Impact Fund agreement.

The Adviser has, and it can be expected that the Adviser in the future will, enter into agreements with investors involving an investor's overall relationship with the Adviser, including one or more strategies in addition to an Impact Fund's strategy with terms and conditions applicable to such investor and its investment in multiple strategies that would not apply to an investor's investment in an Impact Fund. Such an agreement would often involve an investor agreeing to make a capital commitment to multiple Impact Funds and/or Other Managed Accounts managed or sponsored by the Adviser and/or its affiliates. Investors will not receive a copy of the agreement memorializing such an investment program and will be unable to elect any rights or benefits granted to such multi-strategy investor. It is expected that the Adviser (on behalf of itself and an Impact Fund) and/or its affiliates, as applicable, will enter into side letters or other similar agreements with investors that are FB Members. FB Members may receive preferential terms and economic arrangements that are not otherwise offered to other investors. Investors will not receive a copy of any side letters or other agreements with FB Members and will be unable to elect any rights or benefits granted to such FB Members.

It is also expected that the Adviser will confirm factual matters to incoming investors, make statements of intent or expectation to such investors or acknowledge statements by such incoming investors that relate to an Impact Fund and/or the Adviser's activities pertaining thereto in one or more respects. In addition, the Adviser is expected to agree to certain matters relating to knowledge transfer and/or secondments with one or more investors as part of an overall firm relationship. Additionally, it is expected that investors who designate representatives to participate on the Advisory Board or are FB Members will, by virtue of such participation, have more information about an Impact Fund and investments in certain circumstances than other investors generally and will be provided information in advance of communication to other investors generally. Any such statements, confirmations agreements or acknowledgements, including those made in response to an investor's due diligence requests, will not involve the granting of any legal right or benefit, and therefore will not be subject to the "most favored nations" process or election by the investors, and investors generally will as a result not typically receive notice thereof or copies of the documentation (if any) in which they are contained. There can be no assurance that any such arrangements will not lead to conflicts of interest, have an adverse effect on an Impact Fund, or that such arrangements will not influence the Adviser's activities or the operation of an Impact Fund.

One or more parties are expected to (and have) acted as placement agents (each, a "Placement Agent", and together, the "Placement Agents") for the interests of an Impact Fund and, in that capacity, act for the Adviser and not as investment advisers to potential investors in connection with the offering of such interests. Potential investors must independently evaluate the offering and make their own investment decisions. The Impact Funds generally pay each Placement Agent a placement fee based upon the amount of interests committed to by investors that each such Placement Agent introduces to the applicable Impact Fund. Potential investors should also note that at various times, the Placement Agents are expected to act as placement agents for other fund sponsors and funds, including unaffiliated fund sponsors and funds, which may offer interests that are similar to the interests and/or otherwise compete with the Impact Funds for investments. Those unaffiliated sponsors will in certain circumstances pay placement fees on terms different from the fees that the Placement Agents will receive from the Adviser in connection with an Impact Fund offering, and this difference in fees can influence the Placement Agents to

introduce or not introduce potential investors to the applicable Impact Fund. Furthermore, certain Placement Agents are expected to, and other Adviser affiliates will, seek to do business with and earn fees or commissions from other investment funds and their portfolio companies and affiliates of the Adviser. Examples of such business may include, without limitation, provision of financing or other investment banking services; lending or arranging credit; and provision of prime brokerage. Each potential investor should consider these issues in making its investment decision.

Service providers often charge different rates or have different arrangements for services. For example, the fee for a given type of work may vary depending on the complexity of the matter as well as the expertise required and demands placed on the service provider. Therefore, to the extent the types of services used by an Impact Fund and/or a portfolio company are different from those used by the Adviser, such entities may pay different amounts or rates than those paid by an Impact Fund and/or a portfolio company. Similarly, the Adviser, its affiliates, an Impact Fund or its portfolio companies will enter into agreements or other arrangements with vendors and other similar counterparties (whether such counterparties are affiliated or unaffiliated with the Adviser) whereby such counterparty will charge lower rates (or no fee) and/or provide discounts or rebates for such counterparty's products and/or services depending on certain factors, including, without limitation, the volume of transactions entered into with such counterparty by the Adviser, an Impact Fund and its portfolio companies in the aggregate. The Adviser will not be under any duty to offer any discounts or lower rates it may receive to an Impact Fund.

Although the governing documents generally contain broad exculpation and indemnification provisions, the Adviser will not interpret such provisions to constitute a waiver of any person's non-waivable federal fiduciary duties to the relevant Impact Fund under the Advisers Act. The relevant liability standards under insurance coverage procured by the Adviser are expected to vary by carrier, and such standards are expected to vary depending on, for example, coverage features or limitations then-available from the carrier at the time of insurance contract renewal. As a result, insurance coverages are expected to vary from relevant liability and/or indemnity standards in the governing documents of the relevant Impact Fund. Investors generally will be responsible for insurance premiums, as set forth in the governing documents of the relevant Impact Fund, regardless of whether the liability and/or indemnity standards in the Adviser's insurance coverage are higher or lower than that set forth in the governing documents of the relevant Impact Fund.

The Adviser may also, employ personnel with pre-existing ownership interests in portfolio companies owned by an Impact Fund or Other Managed Accounts; conversely, former personnel or executives of the Adviser may serve in significant management roles at such portfolio companies or service providers recommended by the Adviser. Similarly, the Adviser and/or its respective personnel maintain relationships (including family relationships) with (or may invest in) financial institutions, service providers and other market participants, including managers of private funds, law firms, consulting firms, banks and brokers. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates, or in exchange for favorable terms, including with respect to fees and preferential co-investment allocation rights, in connection with an investment in an Impact Fund or an Other Managed Account) to the Adviser, an Impact Fund or Other Managed Accounts. For example, lenders currently provide and are expected to continue to provide a number of services to the Two Sigma Impact Fund and certain Other Managed Accounts and portfolio entities. Further, Two Sigma, the Adviser, Other Managed Accounts and/or their respective personnel

(or their estate planning or other similar vehicles) currently are, and may in the future also be, an investor in certain investment funds sponsored by such lenders or their affiliates. In other circumstances, these vendors are expected to provide personal banking, private wealth or lending arrangements (including lending arrangements with respect to personal investments in or through Adviser entities, whether or not relating to financing Adviser personnel obligations to fund general partner commitment obligations) to Adviser personnel and their estate planning vehicles. The Adviser will have a conflict of interest with an Impact Fund in recommending the retention or continuation of a third-party service provider (including the lenders identified above) to the Impact Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in the Impact Fund or any Managed Account, will provide the Adviser information about markets and industries in which the Adviser or its respective affiliates operate (or is contemplating operations) or will continue to engage as a counterparty, manage investments for or otherwise provide other services in a way that is beneficial to the Adviser. The Adviser will have a conflict of interest in making such recommendations, in that the Adviser has an incentive to maintain goodwill between it and prospective portfolio companies for an Impact Fund, while the products or services recommended may not necessarily be the best available to the portfolio companies held by an Impact Fund.

In borrowing on behalf of an Impact Fund, the Adviser is subject to conflicts of interest between repaying its obligations and retaining such borrowed amounts for the benefit of an Impact Fund, and in circumstances where interest accrues on any such outstanding borrowings at a rate lower than an Impact Fund's preferred return, is expected to have incentives to cause an Impact Fund to borrow in this manner rather than drawing down capital commitments. Where a preferred return begins to accrue after capital contributions are due (regardless of when an Impact Fund borrows, makes the relevant investment, or pays expenses) and ceases to accrue upon return of these capital contributions, the use of borrowing to shorten the period between calling and returning capital limits the amount of time the preferred return will accrue. In circumstances where there is not a preferred return on funds borrowed in advance or in lieu of calling capital, fund-level borrowing typically will reduce the amount of preferred return to which the limited partners would otherwise be entitled had the Adviser called capital, and thus could result in the Adviser receiving carried interest sooner than it would without borrowing. In addition, when the management fee is calculated as a percentage of invested capital, an investor may pay management fees on borrowed amounts used to fund investments that have not yet been realized even though such amounts would not accrue preferred return as described above. It is expected that the costs relating to the establishment and/or maintenance of a subscription line of credit will be significant, and there can be no assurance that the benefits to limited partners will be commensurate with such costs.

In connection with its services to the Impact Funds and their investments, the Adviser, its affiliates and personnel expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of the Adviser's operations, including research, due diligence, investment monitoring, operational improvements and investment activities, the Adviser and its personnel expect to receive and benefit from information, "know-how," experience, analysis and data relating to Impact Fund or portfolio company (as applicable) operations, terms, trends, market demands, customers, vendors and other metrics (collectively, "Adviser Information"). In many cases, Adviser Information will include tools, procedures and resources developed by the Adviser to organize or systematize Adviser Information for ongoing or future use. Although the Adviser expects the Impact Funds and their portfolio companies generally to benefit from the Adviser's possession of Adviser Information, it is possible that any benefits will be experienced solely by

other or future Impact Funds or portfolio companies (or by the Adviser and its personnel) and not by the Impact Fund or portfolio company from which Adviser Information was originally received. Adviser Information will be the sole intellectual property of the Adviser and solely for the use of the Adviser. The Adviser reserves the right to use, share, license, sell or monetize Adviser Information, without offsetting or otherwise reducing management fees, and the relevant Impact Fund or portfolio company will not receive any financial or other benefit of such use, sharing, licensure, sale or monetization. Additionally, expenses relating to the Impact Funds or portfolio companies are expected to be charged using credit cards or other widely available third-party rewards programs that provide airline miles, hotel stays, travel rewards, traveler loyalty or status programs, “points,” “cash back,” rebates, discounts and other arrangements, perquisites and benefits under the available terms of such reward programs. Such programs are expected to vary over time, and any such rewards (whether or not de minimis or difficult to value) generally will inure to the benefit of the personnel participating in the rewards program, rather than the portfolio companies, the Impact Funds or their respective investors; no such rewards will offset or reduce Management Fees.

Except to the extent prohibited by the Fund Agreements, the Adviser and its personnel are permitted to market, organize, sponsor or act in other capacities (including as director, founder or manager) for other pooled investment vehicles, accounts or SPACs the investment or business strategy of which does not overlap with the Impact Fund(s) and to receive compensation (including in the form of management fees, performance-based compensation, founders’ equity or similar interests) relating thereto. Subject to any limitations imposed by the Fund Agreements and anti-“assignment” provisions of the Advisers Act, the Adviser and its personnel are also permitted to offer, restructure and monetize interests in the Adviser.

Any of the situations described above will subject the Adviser and/or its affiliates to potential conflicts of interest. To the extent that an investment or relationship raises particular conflicts of interest, the Adviser will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict.

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## **Item 9. Disciplinary Information**

The Adviser and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

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## Item 10. Other Financial Industry Activities & Affiliations

In addition to the Adviser (which is comprised of the Two Sigma Impact and Sightway Capital business lines), the Two Sigma Affiliates include four SEC-registered investment advisers, including: TSI, Two Sigma Advisers, LP (“TSA”), Two Sigma Investor Solutions, LP (“TSIS”) and Two Sigma Ventures, LP (“TSV”), as well as two broker-dealers registered with the SEC and the Financial Industry Regulatory Authority, Inc. (“FINRA”) and Two Sigma Securities, LLC (“TSS”). Additionally, the Adviser is affiliated with Two Sigma China Co., Ltd. (“TSC”), which is licensed as a Private Fund Manager with the Asset Management Association of China.

TSI, a Delaware limited partnership, manages third-party and proprietary private investment funds. All personnel of the Adviser have a direct employment relationship with TSI. TSA, a Delaware limited partnership, manages third-party private investment funds and provides advisory services to certain separately managed accounts, as well as sub-advisory services to an investment company and certain non-U.S. investment funds. TSV, a Delaware limited partnership, manages third-party and proprietary private investment funds. TSIS, a Delaware limited partnership, provides non-discretionary investment-related services, principally through an online analytics platform called Venn®, to help its clients with strategic asset allocation, risk management, and certain other portfolio-related matters. TSC, a Chinese Wholly Foreign-Owned Enterprise incorporated as a limited liability company, manages Chinese private investment funds. The Form ADV Part 2A brochures for each of TSI, TSV, TSA and TSIS, as well as the brochure for the Adviser’s Sightway Capital business are available through the SEC’s Investment Adviser Public Disclosure website. Finally, the Adviser is affiliated with Two Sigma Real Estate, LP (“TSRE”), a Delaware limited partnership, which generally takes a human-led, machine supported approach to investing in real estate assets.

TSI and TSA are each registered as both a commodity pool operator and a commodity trading advisor with the U.S. Commodity Futures Trading Commission (the “CFTC”) under the Commodity Exchange Act. Additionally, TSIS is registered as a commodity trading advisor with the CFTC under the Commodity Exchange Act. TSS is a member of FINRA and is licensed as a “High Speed Trader” with Japan’s Financial Services Agency and a number of other self-regulatory organizations and exchanges. Further, the Adviser is affiliated with Two Sigma Securities UK Limited, which is authorized as an investment firm with the United Kingdom’s Financial Conduct Authority and trades for its own account. The Adviser is also affiliated with Two Sigma International Limited (“TSIL”), which is authorized and regulated by the Financial Conduct Authority of the United Kingdom and provides a number of services for other Two Sigma Affiliates, including in connection with TSIL serving as a “participating affiliate” of such Two Sigma Affiliates, and TSIL’s personnel as “affiliate associated persons,” as such terms are used in no-action relief granted by the SEC for purposes of permitting the sharing of investment advisory personnel and services of a non-U.S. affiliate of a registered investment adviser. The Adviser and/or its affiliates may form additional broker-dealers and/or other U.S. or non-U.S. regulated entities in the future. TSS is currently a member of a number of self-regulatory organizations and exchanges. TSS and/or any such additional broker-dealer and/or other regulated entity may, in the future, also become a member of one or more additional self-regulatory organizations, securities exchanges, future exchanges, or other trading venues.

The Adviser and certain of its related persons are affiliated with and/or own interests in TSA, TSI, TSV, TSIS, TSRE, TSC, TSIL and/or TSS. TSI provides various services to the Adviser, including, but not limited to: operations; administrative, legal, technical and clerical services, human resources and clerical services (e.g., finance, treasury, accounting, tax, business management, data procurement support and cleansing, engineering and modeling, legal and compliance, workplace services staff, recruiting and human resources and marketing and sales support); access to technology equipment and office facilities; maintenance and support services; and other related and miscellaneous services. All personnel of the Adviser are also employed by TSI. An arrangement has been formalized in the Services Agreement, pursuant to which the Adviser will pay TSI a fee for the provision of these services. Such fee will be borne by the Adviser and will not be borne, directly or indirectly, by investors.

Further, certain related persons of the Adviser are affiliated with and/or own interests in Two Sigma Impact Fund GP, LP (the general partner of the Two Sigma Impact Fund), and also are affiliated with and/or own interests in the general partner entities of other TSPI Funds and Other Managed Accounts. In each case, such persons are or are expected to be entitled to receive performance-based compensation from the applicable Impact Fund as discussed in Item 5 hereof or such other TSPI Funds or Other Managed Accounts in accordance with the terms thereof.

The Adviser's affiliates (as well as their respective principals and certain personnel) engage in a wide range of investment and other financial activities, many of which are not offered to an Impact Fund (or investors therein). The growth of Two Sigma may increase competition between and among Impact Funds and other TSPI Funds, clients of the Adviser's affiliates and the Adviser's affiliates themselves, and may decrease the number of investment opportunities available to an Impact Fund and clients of the Adviser's affiliates. Such competition creates inherent conflicts of interest among affiliates within Two Sigma. Each of the Adviser and its affiliated SEC-registered investment advisers owes a fiduciary duty to its own clients to act in their best interests and manage the client's assets in accordance with the applicable Fund Agreement and/or other pertinent investment guidelines, as applicable.

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

The Adviser has adopted a Code of Ethics (the “Code of Ethics”) and certain other policies and procedures that obligate the Adviser and its supervised persons to put the interests of its client, *i.e.*, an Impact Fund, before their own interests and to act honestly and fairly in all respects in their dealings such Impact Funds. All of the Adviser’s personnel are also required to comply with applicable federal securities laws. The Adviser will supply a complete copy of its Code of Ethics to a client, prospective client, any investor or prospective investor who requests a copy.

The Adviser and the Adviser’s supervised persons effect transactions for their own accounts (and for personal or employee investment vehicles and potentially for family members, friends or others who are not investors in an Impact Fund) in the same securities or other investments purchased or sold for an Impact Fund. To ensure that trading by the Adviser’s supervised persons is conducted (i) in a manner that does not adversely affect the Adviser’s trading on behalf of an Impact Fund and (ii) in a manner that is consistent with the fiduciary duties owed by the Adviser to an Impact Fund, the Adviser has adopted the Code of Ethics and attendant policies and procedures governing, among other things, transactions by the Adviser’s supervised persons and other “covered persons” (*e.g.*, any such supervised person’s spouse, immediate family members, any person to whom a supervised person provides primary financial support, partnerships and corporations in which supervised persons maintain a certain level of beneficial interest, and any person with whom supervised persons share common financial support).

The Code of Ethics and attendant policies and procedures contain provisions designed to, among other things, (i) prevent improper personal trading by the Adviser’s supervised persons and other covered persons; (ii) identify actual or potential conflicts of interest; and (iii) provide guidance in resolving certain actual or potential conflicts of which the Adviser is aware of in favor of a client. To accomplish these objectives the Adviser is required under the Code of Ethics and attendant policies and procedures to, among other things (i) require pre-clearance of personal trades in “reportable securities” (as defined in the Code of Ethics) and certain other assets by the Adviser’s supervised persons and covered persons; (ii) restrict the number of such trades by the Adviser’s supervised persons and covered persons in a given month; (iii) prohibit certain trading by the Adviser’s supervised persons and covered persons in securities of issuers listed on any “restricted list” (as defined in the Code of Ethics); and (iv) generally, require minimum holding periods in connection with certain transactions.

The Adviser engages in principal transactions. When the Adviser and/or its affiliates engage in such transactions, the Adviser seeks to effect any such transaction in accordance with the requirements of Section 206(3) of the Advisers Act.

There are additional actual and potential conflicts of interest inherent in the organizational structure and operation of the Adviser and its affiliates, certain of which are described above under “Item 8. Methods of Analysis, Investment Strategies & Risk of Loss.”



The Adviser has also adopted policies and procedures regarding the receipt of gifts and business entertainment by the Adviser's access persons from certain third parties (*e.g.*, vendors, broker-dealers, consultants, etc.). Specifically, these policies and procedures require access persons to report the receipt of gifts and business entertainment in excess of pre-established *de minimis* thresholds. The Adviser reviews these reports for any potential conflicts of interest with respect to individual instances of gifts or business entertainment, as well as patterns of the same over time, to seek to prevent access persons from placing their own interests ahead of the interest of an Impact Fund.

The Code of Ethics and the Adviser's other policies and procedures also address the following key areas: (i) recordkeeping; (ii) oversight of the Code of Ethics; (iii) conflicts of interest; (iv) the treatment of confidential information; (v) compliance with SEC rules and regulations; (vi) reporting misconduct; (vii) political contributions; and (viii) outside activities. Periodic training regarding the Code of Ethics and the Adviser's other policies and procedures are provided to the Adviser's supervised persons.

The Code contains provisions designed to prevent improper personal trading by the Adviser's access persons. Pursuant to the Code, all of the Adviser's "access persons" and "covered persons" must obtain pre-approval prior to trading a reportable security unless such person has a managed account with an independent adviser who has discretionary investment authority.

The Adviser's access persons and covered persons are prohibited from trading securities on any applicable restricted list, and generally are prohibited from participating in "new issues." Short selling is prohibited. The Adviser's current personal trading policies limit the brokers that "access persons" and "covered persons" can use for personal trading. All investment accounts and positions in reportable securities need to be disclosed upon joining the Adviser, and duplicate copies of brokerage account statements or their electronic equivalent generally must be sent to the Adviser's compliance group.

The Adviser expects to come into possession of certain information that it believes to be confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security. The Adviser is expected to receive such information directly as a result of its investment advisory activities for a Fund, or indirectly as a result of its relationship with affiliates including, but not limited to, TSA, TSI, TSV, TSIS, TSS, TSRE, TSIL and TSC, or through other activities such as strategic partnership negotiations or the board or credit committee service of the Adviser's personnel. The Adviser will have no responsibility or liability to an Impact Fund for not disclosing such information to an Impact Fund (or the fact that the Adviser possesses such information), or not using such information for an Impact Fund's benefit, as a result of following the Adviser's policies and procedures which are designed to provide reasonable assurances that it is complying with applicable law.

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## Item 12. Brokerage Practices

The Adviser focuses primarily on securities transactions of private companies and generally purchases and sells such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, the Adviser may also distribute securities to investors in an Impact Fund or sell such securities, including through using a broker-dealer, if a public trading market exists. Although the Adviser does not regularly engage in public securities transactions, to the extent it does so, it follows the brokerage practices described below.

If the Adviser sells publicly traded securities for an Impact Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Adviser. In such event, the Adviser will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Adviser expects to consider a variety of factors, including, among other such factors that the Adviser deems relevant: (i) execution capabilities with respect to the relevant type of order, including the mechanics and speed of execution; (ii) commissions charged; (iii) the reputation of the firm being considered; (iv) margin required; and (v) responsiveness to requests for trade data and other financial information.

The Adviser has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although the Adviser generally seeks competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with the Adviser seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although the Adviser generally does not currently make use of such services and has not made use of such services since its inception.

In connection with the Adviser’s private company securities transactions on behalf of an Impact Fund, the Adviser may retain one or more broker-dealers or investment banks, the costs of which will be borne by such Impact Fund and/or its portfolio companies. In determining to retain such parties, the Adviser expects to consider a variety of factors, including, among others: (i) execution capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered; and (iv) responsiveness to requests for information. As a result, although the Adviser generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and an Impact Fund may not pay the lowest commission or fee for such services.

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

The investments made by an Impact Fund 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 closely monitors companies in which each Fund invests, and such companies are subject to supervision and review by the Adviser's investment professionals.

An Impact Fund generally will provide to its investors annual audited financial statements prepared in accordance with GAAP and quarterly unaudited financial statements, as well as periodic (at least quarterly) reports concerning such Impact Fund and its investments. The Adviser and an Impact Fund is permitted to and has entered into agreements with certain investors to provide such investors with additional (or more frequent) reports, including detailed information regarding portfolio positions.

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

The Adviser reserves the right to enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming a limited partner in an Impact Fund. Any fees payable to any such placement agents will be borne by the Adviser indirectly through an offset against the relevant Management Fee, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, are typically borne by the relevant Impact Fund and are therefore in addition to applicable management fees and carry. In addition, in accordance with applicable law, the Adviser compensates certain third parties for assistance in connection with soliciting investors in one or more non-U.S. jurisdictions.

The Adviser has developed relationships with certain third-party investment consultants (“Investment Consultants”) that are neither affiliated with nor compensated by the Adviser. Investors and prospective investors in an Impact Fund retain these same Investment Consultants to advise them on the selection and review of investment managers and investment products, including in respect of the Adviser and an Impact Fund. Such Investment Consultants do not act on behalf of the Adviser, and their services are generally outside the scope of any offering of securities by the Adviser and/or an Impact Fund. Furthermore, the Adviser does not participate in the advisory services offered by such Investment Consultants to their clients and generally seeks to ensure that investors in an Impact Fund rely solely on the applicable offering memorandum, limited partnership or equivalent agreement, and other governing documents.

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## **Item 15. Custody**

The Adviser and certain of its affiliates generally expect that they will be deemed to have “custody” (within the meaning of Advisers Act Rule 206(4)-2 (the “Custody Rule”)) of funds or securities held in the name of one or more Impact Funds, subject to certain exceptions set forth in the Custody Rule and related guidance, where applicable, and expects to meet certain applicable requirements of the Custody Rule through compliance with the conditions of the pooled vehicle annual audit provision.

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## **Item 16. Investment Discretion**

The Adviser generally has discretionary authority to manage investments on behalf of an Impact Fund, pursuant to the terms of the investment management agreement with such Impact Fund and the powers of attorney executed by an Impact Fund's limited partners. In certain circumstances an Impact Fund may be established where investors in the fund have initial discretionary authority over the investments made by such Impact Fund.

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## Item 17. Voting Client Securities

Where the Adviser votes proxies regarding an Impact Fund's investments, it does so in accordance with adopted policies and procedures and in what it believes is the best interest of an Impact Fund. Because few, if any, of an Impact Fund's investments are expected to be in publicly traded securities, the Adviser does not anticipate receiving a large number of proxy solicitations in connection with such securities, and the proxy solicitations it may receive should generally be of a bespoke nature.

In addition to proxy solicitations in connection with the equity securities of traditional public operating companies, "voting client securities" is deemed to include similar consents regarding private companies and consents requested in matters concerning a client's investment. This includes (but is not limited to) bankruptcy or insolvency, covenant waivers in connection with debt, approvals regarding the restructuring of debt and other rights and remedies with respect to securities. In such instances, the Adviser will vote proposals, as well as amendments, consents or resolutions relating to an Impact Fund's securities in a manner that it believes is in the best interest of the pertinent Impact Fund. In some circumstances, the Adviser will refrain from voting client securities where the Adviser believes that voting on such matters would not otherwise impact the value of the investment, or would not be consistent with the best interest of the particular Impact Fund. In such instances, the Adviser will take into consideration (among others) the cost of voting the securities, the anticipated benefit to an Impact Fund, and whether that Impact Fund continues to hold the securities on the voting date.

If a material conflict of interest between the Adviser and an Impact Fund exists regarding the voting of client securities, the Adviser will take reasonable steps to address the conflict, including consulting with outside counsel as the Adviser, in its sole discretion, determines necessary or advisable, to ensure that the conflict does not influence the decision to vote in a manner that is not in the best interest of such Impact Fund.

An investor may obtain (i) a copy of the Adviser's proxy voting policies and procedures and (ii) information on how the Adviser voted proxies for the pertinent Impact Fund by contacting the Adviser at (212) 625-5700.

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## **Item 18. Financial Information**

The Adviser does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of this Brochure.