

**Part 2A of Form ADV**  
**Item 1: Cover Page**

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This brochure provides information about the qualifications and business practices of 3000 Management, Inc. and Paul Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at 415-283-4300. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

3000 Management, Inc. (together with its relying adviser, Paul Capital Management, LLC) is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended. However, such registration does not imply a certain level of skill or training.

Additional information about 3000 Management, Inc. and Paul Capital Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

This Item provides a summary of the updates the Part 2A of Form ADV previously filed on March 30, 2015.

Currently, this Brochure may be requested by contacting the Paul Capital Investor Services department, at 415-283-4311 or [investorservices@paulcap.com](mailto:investorservices@paulcap.com) and is also available via the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## Item 4: Advisory Business

### Company Overview:

Paul Capital<sup>1</sup> was formed in 1991 as a pioneer in the secondary equity market, providing creative liquidity options to investors in private equity limited partnerships and portfolios of direct investments. Paul Capital grew to become an experienced investor with the insight and ability to build compelling liquidity solutions for institutional investors. At December 31, 2015, the Paul Capital team comprised 14 employees with activities in London, New York, Paris, and San Francisco and had discretionary assets under management of approximately \$1.94 billion, all of which are managed on a discretionary basis.

The secondary investment program primarily made private equity investments by providing early liquidity to existing private equity investors through the secondary market. Paul Capital sponsored funds typically invested both in private equity investment funds and, directly or through special purpose holding companies, in privately-held operating companies located largely in North America and the European Union and emerging and rapidly developing markets. Private equity includes leveraged buyout, venture capital, growth equity, mezzanine, distressed debt and related investments, including investments in thinly traded, restricted, or illiquid public securities.

The healthcare program made investments in royalty interests, revenue interests (we provided capital in exchange for a percentage of the companies' revenues), debt and, to a limited extent, equity to finance various types of healthcare product companies and institutions, including pharmaceutical, drug delivery, biotechnology, medical device and diagnostic companies, universities, research institutes and inventors.

In May 2013 Paul Capital, in coordination with members of the Paul Capital Healthcare investment team, entered into a sub-advisory agreement with Visium Asset Management, LP (together with its affiliates, "Visium"), with respect to Paul Capital's legacy healthcare investment funds. Under this agreement Paul Capital retains ultimate discretionary responsibility as the primary advisor of its healthcare-focused private investment funds (the "Healthcare Funds"); however, Visium has been engaged to provide Paul Capital with non-discretionary sub-advisory services with respect to the Healthcare Funds. Several former members of the Paul Capital Healthcare investment team are now employed by Visium and are continuing to provide investment monitoring for the Healthcare Client Funds (see Item 13). In connection with such sub-advisory services, Paul Capital pays Visium all of the management fees and transaction fees received by Paul Capital in connection with the Healthcare Funds through December 2015.

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<sup>1</sup> 3000 Management, Inc. and Paul Capital Management, LLC are under common control and have filed a single Form ADV in reliance on the SEC No Action Letter issued to the American Bar Association on January 18, 2012. The entities collectively conduct a single advisory business under the name "Paul Capital." References herein to "Paul Capital" or the "Company" refer to all of such activities performed by such entities and their affiliates.

### Fund Structures:

The clients of Paul Capital are the private investment funds (or “Client Funds”). Each Client Fund has a manager, a general partner, and an SEC registered investment adviser. Paul Capital Advisors, LLC, the parent company is a Delaware limited liability company and serves as the manager of the Client Funds and ultimately of each general partner. Paul Capital Advisors, LLC and its affiliates conduct business collectively under the name Paul Capital. The manager has ultimate authority to manage the business and affairs of the Client Funds. Each Client Fund is governed by its related organizational documents which are the private placement memoranda, limited partnership agreements or operating agreements, and investment management agreements.

### The Advisers, its Advisory Services, and its Clients:

3000 Management, Inc. is a wholly owned subsidiary of Paul Capital Advisors, LLC and is the registered investment adviser entity which provides advisory services to the various secondary and healthcare funds. Paul Capital Management, LLC, a “relying adviser” on 3000 Management, Inc.’s registration, is affiliated with and commonly controlled by the principals of Paul Capital Advisors, LLC. It provides advisory services to certain secondary and healthcare funds. From this point forward, 3000 Management, Inc. and Paul Capital Management, LLC, will be referred to collectively as “the Advisers.”

3000 Management, Inc., Paul Capital Management, LLC, and Paul Capital Advisors, LLC collectively conduct a single advisory business under the name “Paul Capital” and each of their respective employees and personnel will be subject to the Investment Advisers Act of 1940 (the “Advisers Act”) and the rules thereunder, and to all of Paul Capital’s compliance policies and procedures. The personnel of each entity will be deemed “persons associated with” Paul Capital (as that term is defined in section 202(a)(17) of the Advisers Act) and will be subject to SEC examination. As such, Paul Capital has aggregated the information contained within this Brochure to refer to, and include all information concerning, each of the affiliated entities identified above. All references to Paul Capital in this Brochure should be considered references to the commonly controlled entities referenced above.

Advisory services for the Client Funds are detailed in the applicable private placement memoranda, investment management agreements or operating agreements, and limited partnership agreements. The Advisers generally enter into advisory contracts and provide investment management advice solely with respect to private investment funds and their respective portfolios of investments. The Advisers neither enter into advisory contracts nor offer investment management or advisory services to individuals or institutions that may be investors within the Client Funds. Throughout this brochure it should be understood that the term “clients” always refers to the Client Funds.

Advisory Business Audience:

While the clients of the Advisers are the Client Funds, this brochure has been prepared to provide meaningful information to the investors within those Client Funds. It should be noted that such investors are comprised primarily of sophisticated investors generally known to have an informed understanding of investing in unregistered securities. The information that follows in this brochure has been prepared with this intended audience in mind.

Principal Owners & Officers:

The Principal Owner & Officers of 3000 Management, Inc. are noted below:

Paul Capital Advisors, LLC	Principal Owner
Philip J. Jensen	Chief Executive Officer, President, and Director
Debbie Wong	Chief Compliance Officer, Chief Financial Officer, Secretary, and Director

Additionally, as of the date of this filing, Paul Capital Advisors, LLC is 100% owned by certain principals of the firm. Paul Capital Advisors, LLC does not have any 25% or more beneficial owners. There are no outside investors or unrelated, third-party shareholders of the firm.

## **Item 5: Fees and Compensation**

The Client Funds managed by the Advisers have varying fee schedules which are defined by the Client Funds' limited partnership agreements or other governing documents. In the secondary investment program, fees typically range from 0.15% to 1.25% of investor subscriptions, investor contributions, or the net asset value of the assets under management. In some instances, the fee is only applied to the portion of an investor's subscription that has been committed to investments. In the healthcare program, fees range from 0.6% - 2.0% of one of the following components: (i) investor subscriptions, (ii) contributed capital plus aggregate amount of capital contributions the General Partner reasonably expects to call in connection with existing contractual obligations of the Client Fund, or (iii) funded investment costs. After the initial investment period, during which the Client Funds' investment commitments are made, the fees typically decrease over time until the end of the Client Funds life, which typically ranges from 5 to 12 years. Fees are generally called from investors on a quarterly basis in advance, but in some instances the fees are deducted directly from the Client Funds' assets. Fees may be included as part of an investor's total subscription commitment to the Client Fund ("inside the fund"), or may be paid in addition to the subscription commitment ("outside the fund").

The Client Funds incur operating, brokerage, and transaction-related costs (see Item 12, Brokerage Practices) which may be advanced by the manager, general partner, or Adviser and subsequently reimbursed by the Client Funds from fund assets or from amounts called from investors. Examples of operating expenses that client funds may incur include costs associated with making and disposing of investments (whether or not the transactions are ultimately consummated); legal, accounting, auditing, insurance, third party consultants, and bank fees; interest and other costs associated with borrowed money; and organizational expenses. The General Partner will bear the cost (through an offset against the Management Fee or otherwise) of all organizational expenses in excess of this amount, and of any placement fees payable to any placement agent in connection with the formation of the Client Fund.

The Client Funds may also pay a performance based fee which is described in further detail in Item 6, Performance-Based Fees and Side-By-Side Management.

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

As mentioned in Item 5, Fees and Compensation, the general partner of each Client Fund is entitled to receive a performance-based fee (also known as “carried interest”) ranging from 5% to 20% of the Client Fund’s net cash profits. Carried interest is only paid to the extent that cumulative distributions have exceeded the sum of contributed capital plus a minimum defined investor return (known as “preferred return”). Carried interest may be calculated and payable based on aggregate Client Fund profits, or based on individual investment transactions’ profits within a Client Fund (also known as “deal-by-deal carry”).

Certain investments may be shared by more than one Client Fund, and the performance fee provisions for the Client Funds sharing an investment may be different. However, the Advisers typically do not control the timing or amounts of exits from shared investments in such situations, thus avoiding the possibility of conflicts arising by virtue of the different performance fee provisions.

The Advisers, or their affiliates, may have offered opportunities for certain existing limited partners or other unaffiliated parties to co-invest in a given investment transaction in parallel with a Client Fund. It is the policy of the Advisers and their affiliates to first offer investment opportunities to Client Funds up to an amount the Advisers deem prudent taking into account the Client Fund’s investment guidelines, diversification limitations, tax and regulatory considerations, minimum dollar limits, an assessment of investment risk and other factors. Any excess available investment opportunity may be offered to individual co-investors on a fair and equitable basis. The Advisers and their affiliates may consider a number of factors in determining the allocation of investments offered to co-investors, including but not limited to an investor’s previous expression of interest in co-investment opportunities, an investor’s ability to evaluate and approve an investment within an expected timeframe, tax and regulatory considerations and the level of participation requested by the investor. In this specific situation, affiliates of the Advisers may or may not be entitled to receive administrative, management or performance (including carried interest) fees from co-investors, the terms of which may vary across different transactions.



## **Item 7: Types of Clients**

As described in Item 4, Advisory Business, the clients are pooled investment vehicles which are the Client Funds. These Client Funds may consist of investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended.

While they are not direct clients, the investors in those Client Funds include banks, foundations, universities, corporations, foreign governmental entities, pension plans and other institutional investors and may also include directly, or indirectly principals or other employees of Paul Capital Advisors, LLC or its affiliates.

Each Client Fund generally has a minimum investment requirement for investors of \$10 million and the limited partnership interests are offered and sold solely to qualified purchasers or qualified knowledgeable employees of Paul Capital Advisors, LLC. The minimum investment amount may be waived by each Client Fund's general partner in its sole discretion, but typically will not be less than \$10 million, or other amounts as may be specified by law.

As described in Item 4, Paul Capital, in coordination with members of the Paul Capital Healthcare investment team, entered into a sub-advisory agreement with Visium, with respect to Paul Capital's legacy healthcare investment funds. Under this agreement Paul Capital retains ultimate discretionary responsibility as the primary advisor of its Healthcare Funds; however, Visium has been engaged to provide Paul Capital with non-discretionary sub-advisory services with respect to the Healthcare Funds.

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

The investment period for the Client Funds generally is complete; accordingly, Paul Capital's activities on behalf of the Client Funds are currently limited to monitoring, and to a limited extent, identifying and advising regarding follow-on investments related to such Client Funds' existing investment portfolios during a negotiated wind-down period. Descriptions of investment activities herein should be read to refer to Paul Capital's activities undertaken during each relevant investment period and/or activities with respect to such follow-on investments, to the extent applicable.

The following methods of analysis have been used in the secondary and healthcare programs. There can be no assurance that the Advisers will achieve the investment objectives of the Client Funds, and a loss of investment is possible. The investors within the Client Funds understand the risks associated with investing in unregistered and illiquid securities.

### **Secondary Program**

In the secondary program, understanding the value of an underlying asset is an integral part of the secondary program's investment philosophy. We focus on the following key investment strategies: (i) purchase assets at meaningful discounts to estimate of intrinsic fair value; (ii) target largely funded portfolios (generally underlying funds where at least 75% of capital commitments have been called) to limit exposure to underlying investments that we have not specifically examined; (iii) confirm asset values through forensic due diligence; and (iv) employ creative transaction structuring to protect downside.

We apply a rigorous and fundamentals-based approach to investment analysis. At a macro level, we assess the quality of the fund managers, the quality of the underlying portfolio company assets and the historical performance of the fund managers. At a micro level, a forecast for the underlying portfolio companies is prepared, which is derived from an evaluation of the underlying companies' market opportunities, sustainable competitive advantages, profitability potential, management capabilities, and financial conditions. To mitigate pricing risk, we examine every company in a portfolio to assess whether its financing risk and current status are reflected in an accurate, appropriate valuation. These analyses are then compiled into cash flow forecasts to determine the return potential and volatility of the portfolio, to analyze risk factors such as reductions in realization amounts and delays in the timing of such realizations and to establish acquisition-pricing parameters. In compiling these cash flow forecasts, we also take into account economic considerations such as management fees, carried interests and other expenses and liabilities.

In considering participation in the secondary program, an investor should be aware of certain risk factors, which include, but are not limited to, the following:

**Business Risks.** The Client Funds primarily will invest in private equity investment funds ("Investment Funds") and, directly or through special purpose holding companies, in privately

held operating companies (collectively, the entities in which the Client Fund directly invests, “Portfolio Entities”), and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

*Future and Past Performance.* The performance of the Principals’ prior investments is not necessarily indicative of the Client Funds future results. While the General Partner intended for the Client Fund to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that the targeted internal rate of return will be achieved. On any given investment, loss of principal is possible.

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

*Concentration of Investments.* The Client Fund will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment. As a result, the Client Funds investment portfolio could become highly concentrated, and the performance of a few holdings may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, the Client Fund may invest in fewer Portfolio Entities and thus be less diversified.

*Lack of Sufficient Investment Opportunities.* The success of the Client Fund depends upon the ability of the General Partner to identify, select and consummate investments that the General Partner believes offer the potential for superior returns. The availability of such opportunities will depend, in part, upon general market conditions. The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty, which will affect the portfolio company investments made by the Client Fund directly or indirectly through the Investment Funds. Furthermore, a change in market conditions could lead to substantially fewer investment funds being raised, thereby reducing the number of opportunities available to the Client Fund to invest in Investment Funds. Even if the General Partner identifies attractive investment opportunities, there can be no assurance that the Client Fund will be permitted to invest in such opportunities. As a result, it is possible that due to lack of sufficient investment opportunities, the Client Fund may never be fully invested. However, Limited Partners will be required to pay annual management fees based on the entire amount of their Commitments, regardless if funded.

*Illiquidity; Lack of Current Distributions.* An investment in the Client Fund should be viewed as illiquid. Illiquidity results both from the absence of an established market for the Client Funds investments (which market is not expected to develop), as well as from legal and contractual restrictions on transfer of such investments. 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, will generally

occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the initial investment. Before such time, there may be no current return on the investment. Furthermore, the expenses of operating the Client Fund (including the annual management fee payable to the General Partner) may exceed its income, thereby requiring that the difference be paid from the Client Funds capital.

*Limited Transferability of Client Fund Interests.* There will be no public market for the Client Fund interests, and none is expected to develop. There are substantial restrictions upon the transferability of Client Fund interests under the Client Fund Agreement and applicable securities laws. In general, withdrawals of Client Fund interests are not permitted. In addition, Client Fund interests are not redeemable.

*Restricted Nature of Investment Positions.* Generally, there will be no readily available market for a substantial number of the Client Funds investments, and hence, most of the Client Funds investments will be difficult to value. Certain investments may be distributed in kind to the Partners.

*Reliance on the General Partner; No Management Control.* The Client Fund has no operating history and will be entirely dependent on the General Partner. Control over the operation of the Client Fund will be vested entirely with the General Partner, and the Client Funds future profitability will depend largely upon the business and investment acumen of the Principals. The loss of service of one or more of the Principals could have an adverse effect on the Client Funds ability to realize its investment objectives. Limited Partners will have no right or power to participate in the management or control of the business of the Client Fund and, thus, will depend solely upon the ability of the General Partner with respect to making, monitoring and realizing investments. The Client Fund will likely be a limited partner in its Investment Funds, with no management authority. Neither the Client Fund nor the General Partner will have the opportunity to evaluate specific portfolio company investments made indirectly through the Investment Funds. Generally, the Client Fund will be relying on the management skills of the Investment Funds' general partners or similar governing bodies with respect to such investments. The Client Fund may make investments in Investment Funds (a) with short investment histories, (b) that rely on a few key principals, and (c) that invest in companies with (i) short operating histories, (ii) that rely on a few key managers, (iii) that are organized and/or operated outside of the United States, (iv) that are highly leveraged and/or (v) that operate in rapidly changing markets.

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

*Non-U.S. Investments.* The Client Fund intends to invest in Investment Funds, and directly and indirectly in companies that are organized or have substantial sales or operations outside of the United States, its territories, and possessions. Such investments may be subject to certain additional risk due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Client Fund), the application of complex U.S. and foreign tax rules to cross-border investments, possible imposition of foreign taxes on the Client Fund and/or the Partners with respect to the Client Funds income, and possible foreign tax return filing requirements for the Client Fund and/or the Partners. The foregoing factors may increase transaction costs and adversely affect the value of the Client Funds investments.

*Failure to Make Capital Contributions; Significant Default Penalties.* The General Partner anticipates that the Client Fund will have a large number of Limited Partners, any of which could fail to meet a Client Fund capital call. Since the General Partner expects that investments in Investment Funds (and possibly other investments) will include commitments to meet capital calls over an extended period of time, failure by a Partner to meet a Client Fund capital call could result in the failure of the Client Fund to meet a capital call of an Investment Fund or other Portfolio Entity. Such failure could have adverse consequences for the Client Fund (including, without limitation, the possibility of forfeiture of all or a portion of the Client Funds interest in such Investment Fund or other Portfolio Entity) and thus the other Partners. In the event that a Limited Partner fails to meet a Client Fund capital call, the General Partner, in its sole discretion, may take any of a number of actions to seek to avoid such adverse consequences (including calling additional amounts from other Partners). In addition, failure of a Limited Partner to meet a Client Fund capital call gives the General Partner the right to take certain remedial actions against such defaulting Limited Partner.

*Return of Distributions; Indemnification.* Generally, the Limited Partners will not have personal liability for the obligations of the Client Fund in excess of their respective unfulfilled capital Commitments. However, under Delaware law, Limited Partners could be required to return distributions previously made by the Client Fund if it is determined that such distributions were wrongfully made. Additionally, Partners may have to return all or a portion of distributions to the extent the Client Fund has an obligation to withhold any amounts from such distribution for tax purposes.

In addition, pursuant to the Client Fund Agreement, distributions also will be subject to recontribution to the Client Fund to the extent necessary to fund recontribution, indemnification or similar obligations of the Client Fund in respect of Investment Funds or to fund indemnification obligations of the Client Fund under the Client Fund Agreement. Certain of these obligations may extend beyond the termination of the Client Fund.

*Tiered Fee / Carried Interest Structure.* In addition to the Management Fee and the General Partner's carried interest, the Investment Funds will likely impose management fees and other

administrative expenses as well as carried interest payments on appreciation and other income. This will result in greater expense to the Limited Partners than if the Limited Partners were able to invest directly in the Investment Funds or their underlying portfolio companies.

*General Partner's Carried Interest.* The fact that the General Partner's carried interest is based on a percentage of net profits may have created an incentive for the General Partner to cause the Client Fund to make riskier or more speculative investments than would otherwise be the case.

*Taxes Without Distributions.* Potential timing differences between income recognition for tax purposes and actual cash distributions to Partners may cause Partners to incur income tax liabilities in excess of actual cash distributions in certain tax years.

*Potential Delay in Receipt of Tax Information.* The Client Fund will likely not be able to provide final Schedule K-1s to Limited Partners for any given fiscal year until after April 15 of the following year. The General Partner will use reasonable efforts to provide Limited Partners with final Schedule K-1s or with estimates of the taxable income or loss allocated to their investment in the Client Fund on or before such date, but final Schedule K-1s will not be available until the Client Fund has received tax-reporting information from its Portfolio Entities necessary to prepare final Schedule K-1s. Limited Partners should plan to obtain extensions of the filing dates for their U.S. federal, state and local and non-U.S. income tax returns. Each prospective investor should consult with its own adviser as to the advisability and tax consequences of an investment in the Client Fund.

*State, Local and Foreign Taxes.* Limited Partners may be subject to U.S. state and local and non-U.S. taxes in jurisdictions in which Portfolio Entities directly or indirectly invest or operate or in which the underlying portfolio companies of the Investment Funds operate. Limited Partners may also be required to file tax returns in such jurisdictions.

*Uncertain Economic and Political Environment.* The current global economic and political climate is one of uncertainty. Prior acts of terrorism in the United States, the threat of additional terrorist strikes and the fear of a prolonged global conflict have exacerbated volatility in the financial markets and can cause consumer, corporate, and financial confidence to weaken, increasing the risk of a "self-reinforcing" economic downturn. Foreign governments' seizure of foreign territory as well as corporations adds additional possible uncertainty and volatility. A climate of uncertainty may reduce the availability of potential investment opportunities and increases the difficulty of modeling market conditions, reducing the accuracy of the financial projections. Furthermore, such uncertainty may have an adverse effect upon the Portfolio Entities and underlying portfolio companies of the Investment Funds.

*Conflict of Interest.* During periods when the Firm was pursuing investments for specific Client Funds, Principals responsible for those investments would also have been investing on their own behalf through the Client Funds. Those Principals would also direct other, similar investment opportunities to other similar funds or investments. Those Principals and the

General Partner's investment staff will, after the recent operational changes described herein, continue to manage and monitor such investment funds and investments to the extent required by the Client Funds' governing documents but are expected to devote the majority of their business time and attention to other investment funds and opportunities. The significant investment of the Principals in the Client Fund, as well as the Principals' interest in the carried interest, operated to align, to some extent, the interest of the Principals with the interest of the Client Funds. The Principals also have economic interests in such other investment funds and investments as well, and receive management fees and carried interests relating to those interests.

### Healthcare Program

The healthcare due diligence process centered around six primary areas described below:

Commercial Assessment: An understanding of the product's sales potential was developed, including a review of the current and potential future competitive products, growth and market penetration in the selected therapeutic category and capability of the marketing partner to generate sales for the product(s).

Execution Risk: The quality and experience of the management teams responsible for product commercialization and the overall management activities related to both the company and its targeted products.

Intellectual Property Diligence: External counsel conducted validity, infringement and/or freedom-to-operate analyses and an evaluation of license agreements.

Regulatory Review: An understanding of the existing approved product and to uncover any potential unknown risks, including those related to manufacturing or potential future regulatory risks that may be anticipated after product approval.

Counterparty Financial Strength: Assessing the short, medium and long-term financial strength of the counterparty, including assessing the cash resources and the nature of its overall expense structure, both discretionary and fixed.

Transaction Counsel: Work with a selected group of law firms as transaction counsel. In considering participation in the healthcare program, an investor should be aware of certain risk factors, which include, but are not limited to, the following:

Business Risks. The Client Funds investment portfolios consist primarily of royalty interests and revenue interests or other similar product revenue-based rights, predominantly for government-approved, pharmaceutical and other healthcare products ("Pharmaceutical/Healthcare Royalty Interests" or "Royalty Interests") and securities issued by companies, and operating results will be difficult to predict. Such investments involve business and financial risk that can result in substantial losses.

*Future and Past Performance.* The performance of the Principals' prior investments is not necessarily indicative of the Client Funds future results. While the General Partner intended for the Client Fund to make investments that will have returns commensurate with the risks undertaken, there can be no assurances that the targeted internal rate of return will be achieved. On any given investment, loss of principal is possible.

*Concentration of Investments.* The Client Fund participated in a limited number of investments and intended to make most of its investments in the pharmaceutical/medical device industry, and, as a result, the Client Funds investment portfolio will be concentrated in one general industry. As such, the performance of a few holdings may substantially affect the Client Funds aggregate returns. Furthermore, to the extent that the capital raised was less than the targeted amount, the Client Fund may have invested in fewer investments and thus be less diversified.

*Lack of Sufficient Investment Opportunities.* The General Partner may not have been able to identify and close on a sufficient amount of transactions that meet the Client Funds investment objectives, and therefore there be no assurance that the General Partner successfully deployed all of the Client Funds committed capital during the Investment Period. However, Limited Partners will be required to pay annual management fees during the Investment Period based on the entire amount of their Commitments.

*Illiquidity; Lack of Current Distributions.* An investment in the Client Fund should be viewed as illiquid. 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, on equity investments generally will occur only upon the partial or complete disposition of such investments. The return of capital and the realization of gains, if any, on Royalty Interests may occur earlier. While an equity investment may be sold at any time, it is not generally expected that this will occur for a number of years after the initial investment. Before such time, there may be no current return on such equity investment. Furthermore, the expenses of operating the Client Fund (including the annual management fee payable to the General Partner) may exceed its cash flow, thereby requiring that the difference be paid from the Client Funds capital.

*Government Regulation; Risk of Drug Withdrawals.* The Royalty Products are subject to extensive and rigorous regulation by United States local, state and federal regulatory authorities and by comparable foreign regulatory bodies. Regulatory clearance of a product is limited to those disease states and conditions for which the product is useful, as demonstrated through clinical studies. Marketing or promoting a drug for an unapproved indication is prohibited. Furthermore, clearance of a Royalty Product for marketing for a specific indication may entail ongoing requirements or post-marketing studies.

Although the Client Funds focus was on investments primarily in products that already had received regulatory approval, prior to the grant of such marketing approvals by the US Food and Drug Administration or corresponding regulatory authorities outside of the US, most



Royalty Products must undergo extensive investigation and clinical trials to meet stringent safety and efficacy requirements. Also, the manufacturer of a Royalty Product and its manufacturing facilities are subject to approval, continual review and periodic inspections by the regulatory authorities. As a result, the frequency of product withdrawals is low. Nevertheless, there have been instances when discovery of previously unknown problems with a product, manufacturer or facility have resulted in temporary restrictions on the use or the manufacture of such product, including costly recalls or even withdrawal of the product from the market. Such events, whether voluntarily or mandated by a regulatory authority, typically result in an immediate reduction or discontinuation of revenues from the product worldwide. Although the amount of capital invested by the Prior Client Funds in products that are currently removed from the market represents less than 1.5% of the capital committed by such Client Funds, there can be no guarantee that the incidence of regulatory product removals will not increase, and if such an event were to occur, it would likely have a significant and adverse effect on the performance of a particular Pharmaceutical/Healthcare Royalty Interest and could have a material adverse effect on the aggregate performance of the Client Fund.

*Leveraged Investments.* The Client Fund may make use of leverage by incurring subscription financing or other debt to finance a portion of its investment in a given investment. Leverage generally magnifies both the Client Funds opportunities for gain and its risk of loss from a particular investment. The use of leverage may also result in interest expense and other costs to the Client Fund that may not be fully covered by distributions made to the Client Fund. The leveraged capital structure of an investment will increase the exposure of leveraged Client Fund investments to any deterioration in the Royalty Product's (as defined below) condition or industry, competitive pressures or an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of such investments. In the event any portfolio investment cannot generate adequate cash flow to meet debt service payments, the Client Fund may suffer a partial loss of capital invested, which could adversely affect the returns of the Client Fund. Furthermore, the investments in which the Client Fund will invest generally will not be rated by a credit rating agency. See also Legal and Tax Matters - Tax-Exempt Investors below.

*Variability in Pharmaceutical/Healthcare Royalty Interests Cash Flows.* Distributions to investors from the Client Funds Pharmaceutical/Healthcare Royalty Interests will be correlated to some extent to the revenue levels achieved by the products underlying each Royalty Interest. Although revenue projections developed by the General Partner at the time of the Client Funds investment may contemplate additional markets than those for which the products (the "Royalty Products") underlying the Pharmaceutical/Healthcare Royalty Interests are approved at the time of the Client Funds investment, the time required for these approvals is uncertain and can take a number of years, depending on the type and complexity and novelty of the product (see "Projections" below). The General Partner may not have any influence or control over the amount and timing of revenues generated by each product. Such revenues typically vary from quarter to quarter, and although the variations are typically gradual and seasonal, in certain cases they could be material and adverse. This could be the result of many different factors including but not limited to adverse market conditions, unanticipated regulatory

changes, business disruptions and other factors that may not be foreseen by the General Partner at the time of investment.

*Restrictions on Transfer of Pharmaceutical/Healthcare Royalty Interests.*

Pharmaceutical/Healthcare Royalty Interests are generally derived from long-term contracts, such as license agreements or other similar arrangements based on revenue generation. Although the Prior Client Funds generally have been able to receive adequate transfer rights, there may be provisions in such license agreements that restrict the Client Funds ability to transfer such Pharmaceutical/Healthcare Royalty Interests without the express written consent of the licensors or licensees. In addition, it is unlikely that there will ever be a formal public market to facilitate the exchange, barter or transfer of the Pharmaceutical/Healthcare Royalty Interests held by the Client Fund. The General Partner may pursue several exit strategies.

*Risks Associated with Patents and Proprietary Rights.* Commercial success of the Royalty Products depends in part on the ability of the developing and marketing companies or their collaborative partners to obtain patents and successfully defend issued patents against invalidity claims. The determination of the strength of the patent position involves complex legal and factual questions and, therefore, enforceability of a patent cannot be predicted with certainty. For example, patent applications may be maintained in secrecy until patents issue, and the publication of discoveries in the scientific or patent literature frequently occurs substantially later than the date on which the underlying discoveries were made. Also, issued patents may be challenged, invalidated or circumvented. Pending patent applications claiming a Royalty Product may not result in patents being issued. Also, no assurances can be given that patents will provide protection or competitive advantages against competitors with similar products that do not violate the patents of Royalty Products. Furthermore, others may independently develop similar technologies or duplicate certain technology underlying the Royalty Products. The laws of certain foreign countries do not protect intellectual property rights to the same extent as do the laws of the United States, the European Union and Japan. Thus, any Royalty Product patents and patent applications that exist at the time of investment may not provide sufficient protection against competing products.

In addition to patents, the protection of the proprietary position of Royalty Products may rely on trade secrets and proprietary know-how that may be protected, in part, through confidentiality and proprietary information agreements. Although the Prior Client Funds often have been able to obtain covenants requiring its transaction counterparties to protect Royalty Products' patents and know how, these information agreements may not provide meaningful protection or adequate remedies in the event of unauthorized use or disclosure of trade secrets or confidential and proprietary information relating to Royalty Products, and the Client Fund may not be able to obtain these protections in the future. Furthermore, trade secrets may otherwise become known to, or be independently developed by, competitors.

If a Royalty Product infringes the patents or violates other proprietary rights of third parties, litigation, interference or other administrative proceedings may ensue, which may result in an adverse determination of an infringement claim that may subject the company marketing the

Royalty Product to significant liabilities and restrict or prevent it from the manufacture and sale of Royalty Products. Although the Prior Client Funds often have been able to obtain economic protection from offsets to their royalty payments, if the infringement claim is resolved by obtaining a license from the third parties whose intellectual property rights are infringed, such a license may include ongoing royalties which may be offset against the royalties due the Client Fund. These outcomes may materially adversely affect the Pharmaceutical/Healthcare Royalty Interests held by the Client Fund.

*Technological Change; Competition.* Each of the Royalty Products is likely to face competition from other products based on product efficacy and/or safety profiles, the timing and scope of regulatory approvals, availability of supply, marketing and sales capability, reimbursement coverage, price and patent position. Others may develop technologies, which are, or in the future may be, the basis for products that will directly compete with or reduce the commercial market opportunity for a Royalty Product. Competition from larger and better capitalized pharmaceutical companies and more established biotechnology companies may be intense and may increase over time. Restrictions on the ability of a collaborative partner to develop and market a product that is competitive with a Royalty Product are generally limited. Smaller companies may also prove to be significant competitors, particularly through collaborative arrangements with larger pharmaceutical and established biotechnology companies. Academic institutions, governmental agencies and other public and private research organizations also conduct research, seek patent protection and establish collaborative arrangements for clinical development and marketing, which can result in such competing products. These factors may materially adversely affect the Pharmaceutical/Healthcare Royalty Interests held by the Client Fund.

*Dependence on Third Parties to Market Royalty Generating Products.* Revenues from the Pharmaceutical/Healthcare Royalty Interests will directly or indirectly depend upon the marketing efforts of third parties, including pharmaceutical companies and biotechnology companies that license the right to manufacture and sell products in exchange for royalty payments. In many cases, a license agreement with a marketing partner may not have specific minimum sales requirements and the marketing partner may have exclusive or substantial discretion in determining its marketing plans and efforts. A licensee marketing partner may not be restricted from abandoning a licensed product or from developing or selling a competitive product. In the event that a collaborative partner elects to discontinue marketing a licensed product in which the Client Fund has acquired a Pharmaceutical/Healthcare Royalty Interest, the Client Fund would be dependent upon the licensor to find another marketing partner. There can be no assurance that another partner could be found on favorable terms, or at all, or that the licensor will be able to assume marketing, sales and distribution responsibility for its own account. These factors may materially adversely affect the Pharmaceutical/Healthcare Royalty Interests held by the Client Fund.

*Pharmaceutical Pricing and Reimbursement.* The business and financial condition of pharmaceutical and biotechnology companies will continue to be affected by the efforts of governmental and third-party payors to contain or reduce the cost of health care. In certain

foreign markets pricing of prescription pharmaceuticals is subject to governmental control. In the United States there have been, and the General Partner expects that there will continue to be, a number of federal and state proposals to implement similar government price controls. In addition, managed care in the United States has increased and will continue to exert pressure on pharmaceutical pricing. Although price reductions can lead to increases in overall product revenues due to increases in unit volume sales, prices imposed by government also may reduce royalties due on sales of Royalty Products.

*Dependence on Enforceable License Agreement.* The Pharmaceutical/Healthcare Royalty Interests that are passive royalties are created by a license agreement between the licensor of the Royalty Product and another entity, such as a biotechnology or pharmaceutical company. The seller of the Pharmaceutical/Healthcare Royalty Interests may have continuing obligations under the license agreement, such as maintenance and defense of patents, or support in connection with regulatory matters that are outside the control of the Client Fund. Depending on the structure of the investment between the Client Fund and the seller and the terms of the underlying license agreement, the Pharmaceutical/Healthcare Royalty Interests may not survive the termination of the license agreement (e.g., in connection with a material breach of the license agreement, etc.). As a result, there can be no assurance that payments will be made under the license agreements as expected or that the Client Fund will have adequate remedies if such payments are not made.

*Terms of the Pharmaceutical/Healthcare Royalty Interests Acquisition Agreements with Universities and Research Institutions.* Certain sellers of Pharmaceutical/Healthcare Royalty Interests such as inventors, universities and research institutions have limited business experience and little or no familiarity with the customary representations and warranties obtained in sales of assets such as Pharmaceutical/Healthcare Royalty Interests. Such representations and warranties can involve confirmations regarding the existence, validity and scope of patent coverage pertaining to Pharmaceutical/Healthcare Royalty Interests. Others concern title and ownership and whether other claimants or potential claimants to the Pharmaceutical/Healthcare Royalty Interests exist. In some cases, the sellers' sponsoring university or research institution may have had responsibility for processing patent applications and documenting royalty agreements. As a result, the seller may not have been in a position to make certain representations with respect to the Pharmaceutical/Healthcare Royalty Interests. In addition, there is often little or no incentive for their sponsoring institutions to provide any assurances to the Client Fund or the seller regarding the Pharmaceutical/Healthcare Royalty Interests being sold. There can be no assurance that the General Partner obtained customary representations and warranties or to otherwise manage risks associated with investments completed with its transaction counterparties.

*Projections.* Projected product revenues for a Royalty Product in which the Client Fund invests normally are based primarily on financial projections prepared by the Client Fund and its consultants. In all cases, projections are only estimates of future results that are based upon assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly

different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

*Limited Transferability of Client Fund Partnership Interests.* There will be no public market for the Client Funds partnership interests, and none is expected to develop. There are substantial restrictions upon the transferability of the Client Funds interests under the Client Fund Agreement and applicable securities laws. In general, withdrawals of the Client Fund interests are not permitted. In addition, the Client Fund interests are not redeemable.

*Reliance on the General Partner and Portfolio Company Management.* The Client Fund has no operating history and will be entirely dependent on the General Partner. Control over the operation of the Client Fund will be vested entirely with the General Partner, and the Client Funds future profitability will depend largely upon the business and investment acumen of the Principals. The loss of service of one or more of the Principals could have an adverse effect on the Client Funds ability to realize its investment objectives. Limited Partners generally have no right or power to take part in the management of the Client Fund, and as a result, the investment performance of the Client Fund will depend entirely on the actions of the General Partner. Although the General Partner will monitor the performance of each Client Fund investment, it will primarily be the responsibility of each portfolio company's management team to manage its licensees, or in the case of revenue interests, the revenues of the Royalty Products on a day-to-day basis. Although the Client Fund generally intended to invest in companies with strong management, there can be no assurance that the existing management of such companies will continue to operate a company successfully.

*Need for Follow-On Investments.* Following its initial investment in a given Pharmaceutical/Healthcare Royalty Interest or portfolio company, the Client Fund may have decided to provide additional funds to such investment or may have the opportunity to increase its investment in a successful investment. There is no assurance that the Client Fund will make follow-on investments or that the Client Fund will have sufficient funds to make all or any of such investments. Any decision by the Client Fund not to make follow-on investments or its inability to make such investments may have a substantial negative effect on an investment in need of such an additional investment of capital or may result in a lost opportunity for the Client Fund to increase its participation in a successful operation.

*Non-US Investments.* The Client Fund may have invested in non-US investments. Such investments may be subject to certain additional risk due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Client Fund), the application of complex US and foreign tax rules to cross-border investments, possible imposition of foreign taxes on the Client Fund and/or the Partners with respect to the Client Funds income, and possible foreign tax return filing requirements for the Client Fund and/or the Partners.

*Significant Default Penalties.* The Client Fund Agreement provides for significant penalties and other adverse consequences in the event a Limited Partner defaults on its Commitment or other payment obligations. In addition to losing its right to potential distributions from the Client Fund, a defaulting Limited Partner may be forced to transfer its interest in the Client Fund for an amount that is less than the fair market value of such interest and that may be paid over a period of up to ten years, without interest.

*General Partner's Carried Interest.* The fact that the General Partner's carried interest is based on a percentage of net profits, may have created an incentive for the General Partner to cause the Client Fund to make riskier or more-speculative investments than would otherwise be the case.

**Item 9: Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an evaluation of the advisory business.

To our knowledge, there are currently no legal actions or disciplinary events pending against the Advisers or its management persons, or any of the employees of Paul Capital Advisors, LLC that are involved in the investment decision-making processes that are required to be disclosed in this brochure.

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

3000 Management, Inc. is closely affiliated with Paul Capital Management, LLC which is also an affiliate of Paul Capital Advisors, LLC. Any entity managed by Paul Capital Advisors, LLC operates under the Paul Capital brand, and as such the Paul Capital Client Funds, their general partners, and registered investment advisers may share common investors, owners, officers, partners, employees, operational services, and consultants or persons occupying similar positions.

Other than the sub-advisory relationship entered into with Visium, as described in greater detail under Item 4 above, the Advisers neither recommend nor select other investment advisers for Client Funds nor receive any compensation directly or indirectly from affiliated advisers that create a material conflict of interest.

On January 18, 2012, the SEC issued a no-action letter on its views with registration requirements for related investment advisers. We found that a single registration would be appropriate for 3000 Management, Inc. and Paul Capital Management, LLC (the “Advisers”) based on the following guidelines in the letter:

The Advisers advise only qualified clients, as defined in the Advisers Act Rule 205-3; Principals of Paul Capital Management, LLC are persons associated with 3000 Management, Inc.; The Advisers use the same principal office and place of business in the United States; Advisory activities of Paul Capital Management, LLC are subject to the Advisers Act and subject to examination by the SEC; both Advisers operate under a single Code of Ethics, single set of policies and procedures, and administered by a single chief compliance officer; and 3000 Management, Inc. disclosed in its 2012 annual updating filing of Form ADV Part 1A that Paul Capital Management, LLC is a “relying adviser”.

Paul Capital Management, LLC has withdrawn its registration with the SEC and is reported as a “relying adviser” in 3000 Management, Inc.’s Form ADV, Section 1.B.

In connection with the sub-advisory agreement with Visium of the Advisers’ legacy healthcare investment funds, Paul Capital will be entitled to receive a portion of the compensation received by Visium (including management fees and carried interest) in connection with the formation of certain private funds by Visium that have substantially similar investment objectives to the Healthcare Funds.



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

The Advisers have adopted a Code of Ethics and a Securities Trading Policy. Together, these two (2) policies and supporting procedures set forth the high ethical and professional standards of conduct that are expected of employees of the firm. All employees of the Firm are subject to the conditions of these policies and to the overriding principles requiring them to (1) conduct their affairs in such a manner as to place the interests of the Client Funds and their underlying investors first at all times; (2) not take inappropriate advantage of their position in the firm; and (3) prevent any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

### Code of Ethics

In order to serve the Client Funds and investors effectively, the Code of Ethics policy includes, among other things, clear statements of policy on overall ethics, improper influence, external activities, gifts and entertainment, and political and charitable contributions.

### Securities Trading Policy

The Securities Trading Policy addresses conflicts that may arise from personal trading. This policy requires the Advisers to monitor all Reportable Securities (as defined in Rule 204A-1 of the Investment Advisers Act of 1940, as amended) of employees and their applicable family members. The Securities Trading Policy establishes guidelines as to prohibited trades, trades of restricted securities, and reporting requirements.

Prohibited Trades: Trading that anticipates or competes with an investment by one of the Client Funds; and trading a security while in possession of material non-public information concerning the issuer of such security.

Restricted Securities: Those issued by an issuer on the Restricted Securities List require pre-clearance from the Chief Compliance Officer. Additionally, direct or indirect acquisition of beneficial ownership of securities through initial public offerings or limited offerings (i.e., investments in all private securities, including the Client Funds) requires pre-clearance from the Chief Compliance Officer.

Reporting Requirements: Reportable Securities must be reported in a quarterly transaction report sent to the Chief Compliance Officer except for information that would duplicate information contained in broker trade confirmations or account statements already received by the Chief Compliance Officer.

Additionally, should any employee (and certain related parties as defined in the policy) come into possession of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor's decision to buy, sell, or hold a security, under applicable law, such person would be prohibited from improperly disclosing or using such

information for their personal benefit or for the benefit of any person, regardless of whether such person is a Client Fund or investor of the Advisers.

As explained above, the Code of Ethics governs the ethical obligations of the Advisers to put the interests of Client Funds first, and the Securities Trading Policy governs individuals' trading of securities within that framework. Additionally, any actual, potential, or perceived conflicts of interest between the Advisers or their employees and the Client Funds that relate to investment decisions are disclosed and discussed in the final investment memoranda that form the basis for investment commitment decisions. Any actual, potential, or perceived conflicts are discussed by the Advisers' management group before approving an investment, and in the event that a conflict exists, the interests of Client Funds are placed first.

#### Securities Trading Policy -- Investing in the Same Securities Recommended to Client Funds

The Securities Trading Policy stipulates that employees and their related parties (1) may not enter an order or make an investment that anticipates (*i.e.*, front runs) or competes with a Client Fund; (2) may not make any investment that would deprive a Client Fund of a possible investment opportunity that would be consistent with such Client Funds investment guidelines; and (3) may not otherwise engage in any transaction that might be viewed by a knowledgeable independent observer as trading against or in any way contrary to the best interests of any Client Fund.

Neither the Advisers nor their employees invest alongside the same securities that the Advisers recommend to Client Funds. However certain employees may have an interest in the general partner of a Client Fund and may be required to make a capital contribution in relation to an investment being executed for a Client Fund. Should an investment under consideration be deemed unsuitable for a Client Fund, employees may be permitted to invest in such securities. These employee investments do not create a conflict as each investment is fully vetted against the Client Fund's investment guidelines. Additionally, approval from the Chief Compliance Officer is required before an employee is permitted to invest in an opportunity considered, but not undertaken by a Client Fund.

In sum and as explained above, the Code of Ethics governs the ethical obligations of the Advisers to put the interests of Client Funds first, and the Securities Trading Policy governs individuals' trading of securities within that framework. Additionally, any actual, potential, or perceived conflicts of interest between the Advisers or their employees and the Client Funds that relate to investment decisions are disclosed and discussed in the final investment memoranda that form the basis for investment commitment decisions. Any actual, potential, or perceived conflicts are discussed by the Advisers' management group before approving an investment, and in the event that a conflict exists, the interests of Client Funds are placed first.

#### Code of Ethics and Securities Trading Policies – Copies Upon Request

Copies of the Firm's Code of Ethics and Securities Trading Policy can be furnished upon request by contacting Investor Services as referenced in Item 2 of this brochure.

## **Item 12: Brokerage Practices**

The Advisers have discretionary authority with respect to the Client Funds we manage, including the securities to be acquired and sold by the Client Funds, the timing and amount of any such acquisitions or sales, the broker or dealer to be used (if any) and the commission rates to be paid. Securities transactions are primarily privately-negotiated transactions in which the services of a broker-dealer are not retained. However, in instances in which public securities are bought or sold, the Adviser may retain the services of a registered broker-dealer.

In accordance with Paul Capital's fiduciary obligations to seek "best execution" of Client Fund transactions, Paul Capital's selection of brokers is generally based on their capability to effectively manage the share transfers, promptly execute trades in the securities, and the competitiveness of their commissions. Although the Advisers seek market-appropriate commission rates for sales of public securities, they may not necessarily pay the lowest commission available and the selection of broker-dealers is primarily determined based on their ability to efficiently manage securities transfers and to execute trades promptly. When an aggregate order is partially filled, the securities bought or sold will normally be allocated on a pro-rata basis to each Client Fund participating in a buy or sell order, and each Client Fund will generally receive the average price obtained on such purchases or sales made during a trading day.

The Advisers do not have any soft dollar arrangements in place and do not obtain significant additional services, such as research, from brokers and therefore these additional services do not factor into brokerage selection decisions.

### **Item 13: Review of Accounts**

#### **Investment and Account Monitoring Procedures (Private Equity Secondary Program):**

The applicable investment teams and Fund Controllers (in coordination with the Chief Compliance Officer) work together to ensure the assets of the Client Funds are being properly managed.

The investment team actively monitors each Client Fund's portfolio by corresponding and meeting with the managers of the underlying funds on a regular basis, including attending annual meetings, board meetings, and other individually scheduled update meetings. The investment team members may also meet directly with portfolio companies' management in order to obtain updated information on the companies and to assess the value fund managers are adding to their investments if applicable. The investment team also maintains contact with a number of managers by participating on their Advisory Committees. Participation on Advisory Committees provides insight into the management and investment portfolios of the Client Funds, as well as to the broader market. In addition, investment team members review and vote on Client Fund amendments, Client Fund extensions, and other matters requiring investor approval. The purpose of such review is to discuss and agree on actions, if any, that the Adviser can take to enhance the value of the underlying investments in each investment fund. The Partners on the investment team are responsible for ensuring the investment teams meet their investment and account monitoring duties under this policy.

Overall, reviews of the performance of the Client Funds are conducted quarterly upon completion of the quarterly financial statements of the Client Funds and the calculation of updated internal rates of return, multiples, and other performance metrics by the Fund Controllers. Additionally, independent audits of the performance of the Client Funds are typically performed annually by a nationally recognized accounting firm. Written quarterly unaudited financial statements are provided to the underlying investors of the Client Funds, and such reports include US GAAP financial statements for the Client Funds, calculation of quarterly profit or loss from the investments, as well as a discussion of investment highlights and other matters affecting the Client Funds' performance.

The Fund Controllers supervise the transactional accounting and performance reporting for the Client Funds. The Investor Services team assists investors in the Client Funds with information needed to manage their investments, including: distribution and capital call histories, quarterly capital account balances and estimates, duplicate copies of Client Fund quarterly reports and schedule K-1s, account confirmations required for auditors, and any other information or data requests.

#### Investment and Account Monitoring Procedures (Healthcare Program):

A select Visium healthcare investment team, Paul Capital partners and Fund Controller (in coordination with the Chief Compliance Officer) work together to ensure assets of the Client Funds are being properly managed.

The investment team actively monitors the portfolio by regularly tracking product sales, refining future sales projections using currently available information including, but not limited to, actual historical product sales, trends (dollars and prescriptions), size of patient populations, market share, existing competition, pricing and/or re-imbursement adjustment, intellectual property and regulatory developments.

Overall reviews of the performance of the Client Funds are conducted quarterly upon completion of the quarterly financial statements of the Client Funds and the calculation of updated internal rates of return, multiples, and other performance metrics by the Fund Controller. Additionally, independent audits of the performance of Client Funds are typically performed annually by a nationally recognized accounting firm. Written quarterly unaudited financial reports are provided to the underlying investors of the Client Funds, and such reports include US GAAP financial statements for the Client Funds, calculation of quarterly profit or loss from the investments, as well as a discussion of investment highlights and other matters affecting the Client Funds' performance.

The Fund Controller supervises the transactional accounting and performance reporting for the Client Funds. The Investor Services team assists investors in the Client Funds with information needed to manage their investments in the Client Funds, including: distribution and capital call histories, quarterly capital account balances and estimates, duplicate copies of Client Fund quarterly reports and schedule K-1s, account confirmations required for auditors, and any other information or data requests.

#### Reports for Investors in the Client Fund (all programs):

Investors within the Client Funds managed by the Advisers will receive an annual audited financial statement, unaudited quarterly financial statements and an annual schedule K-1. Quarterly financial statements include a detailed schedule of all investment activity, fair valuation of underlying investments, individual capital account balances and a reconciliation of investment activity to partner equity of the Client Fund, including information regarding the investor's share of Client Fund income and gains, losses, deductions and credits for the taxable year. All reports are prepared in accordance with US Generally Accepted Accounting Principles.

Investors also have access, in a secure web environment provided by SunGard DX, to the following Client Fund information with regard to their investment:

- Capital Call and Distribution Notices
- Quarterly Reports
- Audited Financial Statements

- Schedule K-1

In addition, the Advisers hold Investor Meetings or web-conferences from time-to-time for the investors in the secondary and healthcare programs.

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

The Client Funds have the ability to utilize a third party to refer investors to the Client Funds. Generally, the fees paid to the third party will be between 0.25% and 2.00% of the capital committed by the investor. Such referral fees are either paid directly by the general partner of the Client Fund, or are paid by the Client Fund with an offsetting equal reduction in amount of the management fee otherwise payable by the Client Fund.

In addition, the Client Funds themselves may pay finder's fees to certain non-employed independent contractors who originate transactions on behalf of the Client Funds that are ultimately closed. Such fees are success-based, generally amounting to between 0.5% and 2.0% of the total capital deployed at closing by the Client Funds to such investments.

The Client Funds are no longer open to new investors so no such referral arrangements are currently in use. However, certain third parties who have previously referred investors to the Client Funds may continue to receive payments for such referrals in accordance with the terms of the agreement initially entered into with such third parties.

## Item 15: Custody

Under SEC rules, the Advisers are deemed to have custody of the funds and securities held by the Client Funds because Paul Capital or a related party serves as the general partner or managing member of the Client Funds. The Advisers' policy is to provide custodial oversight of the Client Funds' assets in a prudent manner by properly accounting for the assets, and by utilizing "qualified custodians" when appropriate. The Advisers also obtain annual audits, or annual "surprise audits" of its advisory client assets, as described below.

To ensure compliance with Rule 206(4)-2 under the Advisers Act (the "Custody Rule"), Paul Capital will ensure that the Client Funds are subject to an annual audit by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board ("PCAOB") and that the audited financial statements of each Client Fund will be prepared in accordance with generally accepted accounting principles and distributed to Investors within 120 days of the end of each Fund's fiscal year (180 days in the case of funds of funds). Investors should carefully review the audited financial statements of the Funds upon receipt, and should compare these statements to any account information provided by Paul Capital. To the extent any Client Fund is not subject to an annual audit as described above, Paul Capital will arrange to have the assets of such Client Funds verified on at least an annual basis by surprise examination conducted by an independent public accountant in accordance with the applicable provisions of the Custody Rule.

Client Funds' cash is held by qualified custodian banks including:

- Citibank N.A.
- BNP Paribas
- Deutsche Bank
- JP Morgan Chase
- First Republic Bank

Custody of Client Funds' non-public or restricted securities is maintained by First Republic Bank.

Custody of publicly-traded securities, foreign currencies, and derivative contracts are maintained by qualified custodian broker dealers or banks including:

- Credit Suisse
- Deutsche Bank/Alex Brown
- JP Morgan
- Morgan Stanley
- Stifel Nicolaus Weisel
- Merrill Lynch
- UBS
- Citibank



**Item 16: Investment Discretion**

As mentioned in Item 12, Brokerage Practices, the Advisers have discretionary authority with respect to all investments of the Client Funds managed, including the securities to be acquired and sold by the Client Funds, the timing and amount of any such acquisitions or sales, the broker or dealer to be used (if any) and the commission rates to be paid. The discretionary investment authority is provided by the limited partnership or limited liability company agreements of the Client Funds to which the underlying investors are signatories. All investors in the Client Funds execute a subscription agreement and limited partnership agreement which contains explicit provisions outlining the broad, discretionary authority granted to the general partner of such Client Funds to manage all assets of the Client Funds on behalf of their investors. Such management activity is allocated to the Advisers.

The term of the investor's investment in a Client Fund may be altered or varied, including the right to opt out of certain investments for legal, tax, regulatory or other similar reasons.

**Item 17: Voting Client Securities**

Proxies and other solicitations are always received directly by the Advisers, which have discretionary authority and vote all proxies for securities in the best interest of the Client Funds and in a way we believe can maximize total return to the Client Funds. The Advisers' policy is to generally vote all proxies from a specific issuer the same way for each Client Fund absent qualifying restrictions from a Client Fund. In the event of a conflict between the Adviser and the Client Fund, proxies will be voted on in a manner that puts the interest of the Client Fund first. Underlying investors may obtain information about how proxies were voted or may obtain a copy of the proxy voting policy upon request at no charge and by contacting Investor Services as referenced in Item 2 of this brochure.

**Item 18: Financial Information**

As a registered investment adviser we are required in this Item to provide you with certain financial information or disclosures about Paul Capital's financial condition. Paul Capital has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding. In addition, Paul Capital does not require or solicit prepayment of more than \$1,200 in fees, six months or more in advance and therefore is not required to include a balance sheet for its most recent fiscal year.