

# *INSIGHT VENTURE PARTNERS*



## FORM ADV Uniform Application for Investment Adviser Registration Part 2

INSIGHT VENTURE MANAGEMENT, LLC

680 Fifth Avenue, 8<sup>th</sup> Floor  
New York, New York 10019  
[contact@insightpartners.com](mailto:contact@insightpartners.com)

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**This brochure provides information about the qualifications and business practices of Insight Venture Management, LLC. If you have any questions about the contents of this brochure, please contact us at 212-230-9200 and/or [contact@insightpartners.com](mailto:contact@insightpartners.com). 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. Additional information about Insight Venture Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration does not imply a certain level of skill or training.**

## **Item 2     Material Changes**

The most recent update to Part 2 of Insight Venture Management, LLC (“Insight”, the “Manager” or “we”) was made in March 2012. There have been no material changes made to the Manager’s business and information in this Part 2 since that time.

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

Insight is an investment manager of private investment funds focused primarily on investing in growth-stage software, software-enabled services and Internet companies. Insight was founded in 1995. The principal owners of Insight are Jeffrey Horing, Deven Parekh and Peter Sobiloff through their respective interests in Insight Holdings Group, LLC.

Insight provides discretionary investment management services to pooled investment vehicles (each, a “Fund”) in accordance with individually negotiated investment objectives, strategies and guidelines, which may include restrictions on investing in certain securities or types of securities. Investors in the Funds (each, an “Investor”) invest with Insight by purchasing interests in a Fund when the Fund is raising capital. Please refer to Item 8 for a more detailed description of our investment strategies.

Insight managed \$5,285,586,118 of client assets on a discretionary basis (and \$0 on a non-discretionary basis) as of December 31, 2012.

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

##### **Management Fee**

Insight receives an annual management fee (the “Management Fee”) from each Fund with respect to each Investor that may differ from Fund to Fund but is generally 2.00% of each Investor’s commitment during the Fund’s investment period or for a specific period of years. Management Fees are payable quarterly in advance and are deducted from the account of each Fund. After the investment period or a specific period of years, the Fund pays a Management Fee based on each Investor’s pro rata share of a Fund’s invested capital, which generally equals the declining balance of the acquisition cost of the portfolio investments held by the Fund, taking into account any permanent impairments of portfolio assets. Insight may waive any or a portion of its Management Fee. The Management Fee may be reduced by a percentage of any fees received by Insight or its affiliates from or with respect to portfolio investments made by a Fund. Insight or its affiliates may receive a fee from portfolio companies for consulting services, including those provided by the Insight Onsite group. Insight Onsite is discussed more fully below in response to Item 8. The Management Fee may also be reduced by any placement fees paid by a Fund.

##### **Carried Interest**

The performance based compensation paid by a Fund generally is paid to an affiliate of Insight in its capacity as a general partner of the Fund (“General Partner”) when distributions are made to the Investors and is referred to as a “Carried Interest Percentage.” The Carried Interest Percentage typically equals 20% of a Fund’s return on invested capital, but is subject to certain conditions and may be greater or less than 20%. The Carried Interest Percentage and the timing of its distribution may vary from Fund to Fund and is described more fully in each Fund’s limited partnership agreement. Each Fund’s limited partnership agreement typically contains one or more “clawback” provisions providing Investors the opportunity to recoup from the Fund’s General Partner distributions which exceed the Carried Interest Percentage. The

mechanics of the clawback may vary from Fund to Fund and are more fully described in each Fund's limited partnership agreement.

### **Terminating the Investment Management Agreement**

A Fund's investment management agreement with Insight continues until the dissolution of the Fund, but either the Fund or Insight may terminate the agreement as of the last day of any month by giving notice to the other party of its election to do so on or before the first day of the month as of which it is to be terminated. Furthermore, the investment management agreement will terminate automatically without notice if Insight ceases to be an affiliate of the Fund's General Partner. Management Fees are pro rated for partial periods and it would be Insight's policy to rebate the fee on a pro rata basis if the investment management agreement is terminated.

### **Other Fees and Expenses**

In addition to Management Fees and Carried Interest Percentage, Funds pay, and ultimately Investors bear, other types of fees and expenses as specified in the applicable limited partnership agreement. Typically, a Fund is responsible for all costs and expenses in connection with its operation and investments (other than the costs and expenses that will be the responsibility of Insight, which are typically salaries and benefits of our personnel and the cost of maintaining Insight's place of business).

To the extent possible, third-party expenses incurred in connection with consummated transactions are borne by the respective portfolio companies of the Funds. Funds incur brokerage and other transaction costs. Brokerage is described in more detail below in response to Item 12.

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

Insight accepts performance-based fees, as further described above in response to Item 5. Insight does not manage client accounts that are not charged a performance fee.

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

Insight generally limits its clients to Funds, which are pooled investment vehicles with a limited term of years. The Funds are not required to be registered with the SEC under the Investment Company Act of 1940 in reliance on an exception from the definition of an investment company under that Act, and the offering of interests in the Funds is exempt from registration under the Securities Act of 1933. Each Fund consists of a limited number of limited partnerships, which may be organized within or outside the United States and that generally will invest side-by-side in all portfolio investments on the basis of available capital. Insight also advises investment vehicles (each, a "Coinvestment Fund") that invest alongside a Fund in instances in which the amount of financing required for a particular transaction exceeds the size of the investment deemed appropriate for the Fund by its General Partner or a threshold agreed in the applicable limited partnership agreement. Interests in Funds and Coinvestment Funds are subject to restrictions on transferability and resale. Where the context requires, we may refer to any of the limited partnerships in a Fund and any Coinvestment Fund as a Fund.

Most of the capital invested in the Funds is attributable to U.S. and non-U.S. institutional Investors, including public and private pension plans, funds of funds, sovereign wealth funds, banks, insurance companies, family offices, endowments and charitable foundations.

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

### **Investment Program**

Insight primarily focuses on investments in growth-stage software, software-enabled services and Internet companies. Insight believes that growth-stage companies have significant opportunities to expand, either organically or through acquisition, and have potential for growth in either revenue, operating profits or frequently, both. Insight seeks to operate as management's primary financial/strategic partner and, where possible, to be the first institutional investor. Insight will also opportunistically invest in companies that have previously raised capital with institutional investors. Insight is a flexible source of capital and has the ability to execute both minority and majority investments, and take-private transactions, including leveraged buyouts. Insight primarily focuses on companies with the following characteristics:

- Large market opportunity
- Established revenue momentum and/or strong historical sales growth
- Potential for significant profitability

Insight will also target more mature companies that are available at favorable valuations and have potential for attractive returns. Insight believes that mature, slower growth software and software-enabled services companies are appropriate targets for leveraged buyout transactions and can generate attractive risk-adjusted returns. Such companies include public companies that are candidates for take-private transactions and private equity owned companies. Insight's industry focus enables it to identify and assess these opportunities and target high quality companies. In addition, Insight believes that acquisitions are an effective way for more mature software companies to enhance their strategic options and increase value.

Insight invests in companies that apply technology to solve business and consumer problems, typically through software, software-enabled services and the Internet. Insight also makes investments in companies in sectors outside of its primary focus for which the Internet is an important part of the business model.

Certain Funds managed by Insight have additional investment flexibility as described in the limited partnership agreement for the particular Fund, such as the ability to invest up to 10% of aggregate capital commitments in securities of an "emerging enterprise issuer" as defined in the particular Fund's limited partnership agreement.

Funds may co-invest with third parties through partnerships, joint ventures, or other entities. Funds may also from time to time lend to portfolio companies on a short-term, unsecured basis, *i.e.*, make bridge loans, in anticipation of a future issuance of equity or long-term securities. Insight may invest in companies both within and outside of the U.S.

Fund investments are typically in securities that are not publicly traded, that are subject to legal or other restrictions on transfer and that are highly illiquid. Although these investments may occasionally generate some current income, the return of capital and the realization of gain, if any, from an investment generally will occur only upon the partial or complete disposition of such investment. Investments may require a substantial amount of time to liquidate.

Insight's deal origination team identifies and maintains contact with thousands of prospective portfolio companies to identify companies that meet a Fund's investment criteria. Complementing this effort, Insight has over time developed extensive relationships with entrepreneurs, other venture capital and private equity firms, and investment banks, which collectively generate a significant amount of deal flow. In addition, due diligence is an integral part of Insight's investment process, and provides a foundation for Insight's engagement with portfolio companies post-investment. The due diligence process helps to identify critical transactional issues, assess a potential portfolio company's strengths, weaknesses, and opportunities, and develop a view on its value and a Fund's prospective return. The Insight Onsite team plays a significant role in the diligence process – both to support Insight's investment decision and as a prelude to working with portfolio companies on their critical challenges post-investment.

All transactions are coordinated by a dedicated deal team led by at least one of Insight's Managing Directors. The deal team is responsible for due diligence and deal negotiation, and regularly reports to Insight's "Investment Committee," which is comprised of Jeffrey Horing (the Head of the Investment Committee), Deven Parekh, Peter Sobiloff and Blair Flicker, each of whom is an Insight Managing Director. The Investment Committee, after consultation with other Insight Managing Directors, senior members of the deal team and Insight's Chief Financial Officer, is primarily responsible for making investment decisions for Insight.

Insight or its affiliates may in the future form additional Funds with primary objectives and policies that are not substantially the same as those of the existing Funds.

### **Insight Onsite**

As part of its investment strategy, Insight operates "Insight Onsite," an in-house consulting practice that provides services to the Funds' portfolio companies. Insight devotes significant internal resources to improving the strategy and execution of the portfolio companies. The Insight Onsite team is comprised of experts in various substantive areas generally including: strategy consulting, direct sales, telesales, Internet marketing, operations, technology, and mergers and acquisitions. The Insight Onsite team typically is involved with Insight's decision to invest in a particular portfolio company. For example, the Insight Onsite team plays a significant role in the diligence process.

Insight Onsite generally charges portfolio companies fees for its consulting services, although it may provide consulting services to non-fee paying portfolio companies that are unable to pay for Insight Onsite's services or for other reasons. Insight Onsite waives its fees in such cases because Insight believes that Insight Onsite can add significant value to those portfolio companies and thus to the investing Funds. Insight uses fees paid by portfolio companies for the services provided by Insight Onsite to recuperate the costs of compensation and operating

expenses for Insight Onsite with respect to work associated with such portfolio companies by using an agreed flat amount as provided in the applicable limited partnership agreement. Any excess of Insight Onsite fees over the flat amount will reduce the Management Fees paid by the applicable Funds.

## **Material Risks of Investment Strategy**

### **General Investment Risks**

Investing in securities involves risk of loss that clients should be prepared to bear. All investments made by Insight on behalf of the Funds risk the loss of capital. No guarantee or representation can be made that a Fund will achieve its investment objective or avoid substantial losses, including the potential to lose all invested capital. There can be no assurance that Insight will be able to choose, make and realize investments on behalf of a Fund in any particular company or portfolio of companies or that a Fund will be able to generate positive returns or that any positive returns will be commensurate with the risks of investing in the type of companies and transactions described above.

### **Investment Strategy Risks**

*Risks of Growth Equity Investing:* While growth equity investments 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 losses. Among these risks are the general risks associated with investing in companies at an early or growth-stage of development or with little or no operating history, companies with substantial variations in operating results from period to period, companies with the need for substantial additional capital to support expansion or to achieve or maintain a competitive position and companies dependent on new or developing technology. Furthermore, companies at an early or growth-stage of development may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and service capabilities and a larger number of qualified managerial and technical personnel. A Fund will make investments in portfolio companies which rely upon rapidly changing technologies. Therefore, technological obsolescence and other technology risks may adversely impact the performance of these portfolio companies. In all such cases, a Fund will be subject to the risks associated with the underlying businesses engaged in by portfolio companies.

*Illiquid Investments:* A Fund will invest in assets that are subject to legal or other restrictions on transfer and which are illiquid. A Fund may not be able to sell the assets when it desires to do so or to realize what it perceives to be their fair value in the event of a sale.

*Portfolio Company Leverage:* A Fund may make investments, either through leveraged buyouts or otherwise, in portfolio companies that have a leveraged capital structure. To the extent that any investment is made in a company with a leveraged capital structure, such investment may be subject to increased exposure to adverse economic factors such as a significant rise in interest rates, a downturn in the economy or deterioration in the condition of such company or its

industry. In the event that such a company is unable to generate sufficient cash flow to timely meet principal and interest payments on its indebtedness, the value of a Fund's investment in such portfolio company could be significantly reduced or even eliminated. Additionally, lenders would typically have a claim that has priority over any claim by a Fund to such assets in an insolvency event or proceeding. The use of leverage will result in costs to a Fund that may not be covered by distributions made to a Fund or appreciation of its investments.

*Risks in Effecting Operating Improvements:* In some cases, the success of a Fund's investment strategy will depend, in part, on the ability of the Fund or the management of a portfolio company to restructure and implement improvements in the operations of a portfolio company. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that a Fund will be able to successfully identify and implement such restructuring programs and improvements.

*Uncertainty of Financial Projections:* A Fund may use financial projections to help analyze a potential investment or future capital raises and financing for portfolio companies or other transactions. Projected operating results will often be based on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse effect on the reliability of such financial projections.

*Control Positions and Non-Controlling Interests:* A Fund may assume control positions in certain of its portfolio companies. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability in which the limited liability generally characteristic of business operations may be ignored. A Fund may make minority or other equity investments in portfolio companies where there is the possibility that the portfolio companies may be controlled by persons who have economic or business interests or goals that are inconsistent with those of a Fund or may be in a position to take action contrary to a Fund's business interests. Where a Fund holds a non-controlling interest in a portfolio company, it may have a limited ability to limit or otherwise protect its position in such company.

*Competitive Market:* The market for investment opportunities similar to those that a Fund is focused on is competitive and involves a high degree of uncertainty. There can be no assurance that Insight's management will succeed in consistently identifying and securing investments on attractive terms. Furthermore, over the past decade, an ever-increasing number of funds with similar investment objectives as the Funds have been formed (and many existing funds with similar investment objectives as the Funds have grown in size) to invest in the software, software-enabled services and the Internet industries. Additional funds with similar investment objectives and/or sourcing methodologies may be formed in the future by other unrelated parties. As a result, there can be no assurance that a Fund will be able to participate and make portfolio investments that satisfy the Fund's return objectives or realize Insight's view of their potential values or that the Fund will be able to become fully invested for a significant period of time, if at



all. There can be no assurance that such opportunities will continue to be available or that a Fund will be able to make any such investments.

*General Business and Management Risk:* Investments in portfolio companies subject a Fund to the general risks associated with the underlying businesses, including but not limited to market conditions, changes in regulatory requirements, reliance on management at the company level, interest rate and currency fluctuations, general economic downturns, domestic and foreign political situations and other factors. The success of a Fund's portfolio companies may depend on the development and marketing of new technologies that at any time may be rendered unattractive or obsolete by technological advances, new social trends and/or communication methods as seen in the recent emergence of social networking tools and platforms. With respect to management at the portfolio company level, many portfolio companies rely on the services of a limited number of key individuals, the loss of any one of whom could significantly adversely affect the portfolio company's performance. While in all cases the General Partner will monitor portfolio company management, management of each portfolio company will have day-to-day responsibility of such portfolio company.

*Sector Risk:* Adverse economic conditions in the United States and other countries could have a material adverse effect on consumer and business spending in the information technology sector, which could limit or cause a substantial reduction in the revenues, profitability and/or continued viability of the portfolio companies in which a Fund invests. The information technology sector (including software, software-enabled services and Internet companies) could be adversely affected by overall economic conditions, short product cycles, rapid obsolescence of products, competition, and government regulation. There can be no assurance that any portfolio company will continue or improve its historical or expected levels and direction of growth, revenues or profitability even if general economic conditions in the United States and/or other countries improves or if economic conditions in the information technology sector improve.

*Third Party Investments:* A Fund may co-invest with third parties through partnerships, joint ventures, or other entities. 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 a Fund, or may be in a position to take action contrary to a Fund's business interests.

*Lack of Diversification:* A Fund may be permitted to invest up to a specified percentage of its aggregate capital commitments in the securities of one issuer at the time of investment. If a Fund is provided with only a limited number of investment opportunities or is provided with investment opportunities in companies that are similar to the other Fund investments, a Fund's portfolio may not be diversified. In addition, to the extent Insight concentrates a Fund's investments in a small number of issuers, issuers within one industry or within one geographical area or country (including in a country other than the United States), a Fund's portfolio may become even more concentrated, non-diversified and consequently more susceptible to fluctuations in value resulting from adverse economic or business conditions affecting such issuers, industry and/or geographical region.

*Insufficient Capital for Follow-On Investments:* Following its initial investment in a portfolio company, a Fund may have the opportunity to increase its investment in successful operations or may be asked to provide additional funds to such portfolio company. There is no assurance that a Fund will make follow-on investments or that a Fund will have sufficient resources to, or be permitted to, make such investments. Any decision not to make follow-on investments, or a Fund's inability to make them, may have a substantial negative impact on a portfolio company in need of such an investment, may result in missed opportunities for a Fund, or may result in dilution of a Fund's investment.

*Third Party Litigation:* Litigation can and does occur in the ordinary course of the management of an investment portfolio of securities. A Fund may be engaged in litigation both as a plaintiff and as a defendant. A Fund's investment activities subject it to relatively increased third-party litigation risk in those instances in which the Fund exercises control or significant influence over a portfolio investment, including as a result of board participation. Such litigation can arise as a result of portfolio company defaults, portfolio company bankruptcies and/or other reasons. In certain cases, such portfolio companies or their constituents may bring claims and/or counterclaims against a Fund, a General Partner, Insight and/or their respective principals and affiliates alleging violations of securities laws and corporate, contractual and other typical claims and counterclaims seeking significant damages. To the extent that (i) a Fund has not been able to protect itself through insurance, indemnification or other rights against the portfolio companies, (ii) a Fund is not entitled to such protections, or (iii) the portfolio company is not solvent, the expense of defending against claims made against a Fund by third parties and paying any amounts pursuant to settlements or judgments would be borne by a Fund and reduce net assets. In connection with such actions, the Fund would be obligated to bear defense, settlement and other costs, and the General Partner, Insight and others would generally be entitled to indemnification by the Fund, subject to certain conditions. Such costs and indemnification could adversely affect a Fund's rate of return.

*Board Participation:* A Fund may be represented on the boards of directors of certain of its portfolio companies or may have its representatives serve as observers to such boards of directors. Although such positions in certain circumstances may be important to a Fund's investment strategy and may enhance a General Partner's and Insight's ability to manage the investments, they may also have the effect of impairing a General Partner's ability to sell the related securities when, and upon the terms, it may otherwise desire and may subject the General Partner, Insight, and the Fund to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director-related claims. In general, a Fund will indemnify the General Partner and Insight from such claims.

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

*Foreign Investments:* A Fund may be permitted to invest up to a specified percentage of its aggregate capital commitments in the securities of issuers located outside of the United States. Foreign securities involve certain factors not typically associated with investing in U.S. securities, including risks relating to: (1) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various foreign currencies in which a Fund's foreign investments are denominated, and costs associated with conversion of investment principal and income from one currency into another; (2) inflation matters, including rapid fluctuations in inflation rates; (3) differences between the U.S. and foreign securities markets, including potential price volatility in and relative liquidity of some foreign securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation; (4) economic, social and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital, the risks of political, economic or social instability and the possibility of expropriation or confiscatory taxation; and (5) the possible imposition of foreign taxes on income and gains recognized with respect to such securities.

*Investments in Emerging Markets:* A Fund may be permitted to invest in securities of issuers located in emerging markets. Investing in emerging markets involves additional risks and special considerations not typically associated with investing in other, more established economies or markets. Such risks may include (i) increased risk of nationalization or expropriation of assets or confiscatory taxation; (ii) greater social, economic and political uncertainty, including war or terrorism; (iii) higher dependence on exports and the corresponding importance of international trade; (iv) greater volatility, less liquidity and smaller capitalization of markets; (v) greater volatility in currency exchange rates; (vi) greater risk of inflation; (vii) greater controls on foreign investment and limitations on realization of investments, repatriation of invested capital and on the ability to exchange local currencies for U.S. dollars; (viii) increased likelihood of governmental involvement in and control over the economy; (ix) governmental decisions to cease support of economic reform programs or to impose centrally planned economies; (x) differences in auditing and financial reporting standards which may result in the unavailability of material information about issuers; (xi) less extensive regulation of the markets; (xii) longer settlement periods for transactions and less reliable clearance and custody arrangements; (xiii) less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors; and (xiv) certain considerations regarding the maintenance of a Fund's investments with non-U.S. brokers and securities depositories.

Repatriation of investment income, assets and the proceeds of sales by foreign investors may require governmental registration and/or approval in some emerging countries. A Fund could be adversely affected by delays in or a refusal to grant any required governmental registration or approval for such repatriation or by withholding taxes imposed by emerging market countries on interest or dividends paid on financial instruments held by the Fund or gains from the disposition of such financial instruments.

In emerging markets, there is often less government supervision and regulation of business and industry practices, stock exchanges, over-the-counter markets, brokers, dealers, counterparties and issuers than in other more established markets. Any regulatory supervision that is in place may be subject to manipulation or control. Some emerging market countries do not have mature

legal systems comparable to those of more developed countries. Moreover, the process of legal and regulatory reform may not be proceeding at the same pace as market developments, which could result in investment risk. Legislation to safeguard the rights of private ownership may not yet be in place in certain areas, and there may be the risk of conflict among local, regional and national requirements. In certain cases, the laws and regulations governing investments in securities may not exist or may be subject to inconsistent or arbitrary application or interpretation. Both the independence of judicial systems and their immunity from economic, political or nationalistic influences remain largely untested in many countries. A Fund may also encounter difficulties in pursuing legal remedies or in obtaining and enforcing judgments in non-U.S. courts.

*Risk of Early-Stage/Start-up Investments:* While the Funds are focused primarily on growth-stage companies and may also invest in more mature companies, one or more Funds may have exposure to new and emerging early-stage/start-up investments (collectively, “early-stage investments”). While such investments offer the opportunity for significant gains, they also involve a high degree of business and financial risk and can result in substantial losses. Among these risks are the general risks associated with investing in companies at an early stage of development or with little or no operating history, companies operating at a loss or with substantial variations in operating results from period to period, and companies with the need for substantial additional capital to support expansion or to achieve or maintain a competitive position. Such companies may face intense competition, including from companies with greater financial resources, more extensive development, marketing and service capabilities and a larger number of qualified managerial and technical personnel.

*Financial Fraud:* Instances of fraud and other deceptive practices committed by senior management of certain companies in which a Fund may invest may undermine the ability of Insight to conduct effective due diligence on, or successfully exit such companies. In addition, financial fraud may contribute to overall market volatility, which can negatively impact a Fund’s investment program.

*Risks Arising From Dispositions of Investments:* In connection with the disposition of an investment in a portfolio company, a Fund may be required to make representations about the business and financial affairs of the portfolio company, or may be responsible as a selling stockholder for the contents of disclosure documents under applicable securities laws. A Fund may also be required to indemnify the purchasers of such investments or underwriters to the extent that any such representations or disclosure documents turn out to be incorrect, inaccurate or misleading. If the assets of a Fund are insufficient to pay such indemnification obligations, the Investors may be required to return distributions received by them to pay such obligations.

The material risks of Insight’s investment strategy set out in this Item 8 do not represent all of the material and other risks associated with a Fund. Each Fund’s confidential private placement memorandum sets out additional risks associated with the Fund.

## **Item 9      Disciplinary Information**

Neither Insight nor its management persons have been subject to legal or disciplinary events that are material to Insight's advisory business or that would be material to existing or prospective clients' evaluation of Insight's advisory business or the integrity of its management persons.

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

Affiliates of Insight serve as the General Partners of the Funds. A Fund may be subject to various conflicts of interest arising from its relationship with Insight and its affiliates. A Fund may on occasion invest in a portfolio company of another Fund or co-invest with another Fund. Such transactions are generally subject to requirements agreed by the Investors and set out in the applicable limited partnership agreement, which may include a requirement to obtain the consent of the limited partner advisory committee ("Advisory Committee") of the applicable Funds. Additional information regarding how Insight addresses conflicts of interest is provided in Item 11 below.

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

Insight's Compliance Manual includes a Code of Ethics ("Code") that applies to each of its partners, members, owners, principals, directors, officers and employees ("Covered Persons"). The Code requires compliance with all applicable laws and regulations, including federal securities laws; acting in the best interests of the firm's clients at all times; avoiding actual and potential conflicts of interests; complying with certain restrictions on personal trading and prompt reporting of violations of the Code. The Code requires Covered Persons to safeguard confidential information entrusted to Insight by its clients, investors or related parties, information regarding Insight's businesses and activities, or information about other Covered Persons. The Code also prohibits insider trading and tipping and addresses anti-money laundering and certain potential conflicts of interest. The Code requires Insight to monitor the personal securities trading of Covered Persons for evidence of insider trading or suspicious trades. A copy of the Insight Code of Ethics will be provided to a client or prospective client upon request.

Like other asset management firms, as part of Insight's business, Insight and its employees have developed many significant relationships with third parties, including, but not limited to, placement agents, investment bankers, consultants, private equity and venture capital investors, Investors in Funds, co-investors, sub-tenants who lease office space from Insight, current and former directors, officers and employees of current and former portfolio companies, and former directors, officers and employees of Insight, including those who have or may form funds that engage in investment activities similar to those of a Fund. Certain of such third parties may: introduce investment opportunities to Insight; arrange for, or facilitate financing in, the purchase or recapitalization of potential portfolio companies; introduce portfolio companies to potential acquisition or merger candidates; introduce Insight to potential buyers of portfolio company securities; facilitate the disposition of portfolio company securities; provide investment banking, consulting or advisory services to Insight, the Funds, portfolio companies and potential portfolio companies; invest in Funds; co-invest in portfolio companies; perform investment banking

services for issuers of private securities held by Insight personnel or their friends and family members; introduce or recommend private investment opportunities to Insight personnel or their friends and family members; or provide other significant business or investment services to Insight, the Funds, portfolio companies, potential portfolio companies, Insight personnel, and friends and family of Insight personnel. Such third parties may receive direct commercial compensation from the portfolio company, potential portfolio company or individual for providing these services and/or, with respect to transactions in connection with the Funds or their portfolio companies or potential portfolio companies, may receive compensation from Insight or a General Partner in the form of a cash payment from Insight or a General Partner or a participation in the management fees or carried interest Insight and the General Partners, respectively, receive from the Funds. Insight has compliance policies and procedures designed to monitor and, as necessary, mediate such significant relationships, but no guarantee can be made that such policies and procedures will prevent actions which are to the detriment of a Fund.

Service providers to the Funds, their portfolio companies and the portfolio companies' directors, officers and employees, including the placement agent and its principals, may be investors in a Fund. This could present a conflict of interest to a General Partner in deciding whether to utilize the services of such service providers, or to pay such service providers higher fees out of the Fund's assets in return for such service providers' willingness to invest in the Fund, which could result in additional fees for Insight.

Personal investment by investment professionals and other personnel of Insight can present potential conflicts of interest for Insight and its personnel. Insight's members, owners, principals, directors, officers, and employees, certain family members of those persons, certain directors, officers, or employees of Insight's portfolio companies, and certain individuals employed by or associated with certain service providers of Insight or its portfolio companies have invested, and may continue to invest in the future, alongside a Fund through a separate entity that will make investments simultaneous with and on the same terms as other Funds. Each such entity is a related person of Insight. Each Fund has a General Partner which is a related person of Insight. The General Partners each agree to make a capital commitment in a Fund. The amount of the capital commitment may vary from Fund to Fund. The General Partner's capital commitment is satisfied by capital commitments from certain of Insight's Managing Directors.

The directors, officers and employees of Insight generally may, subject to certain restrictions, buy and sell securities or other investments for their own accounts (including through investment funds managed by Insight). As a result of differing investment strategies or constraints, or for other reasons, positions may be taken by Insight personnel that are the same as, different from or made at different times than positions taken for a Fund. For the same reasons, directors, officers and employees of Insight may invest in public or private companies, private equity funds, private venture capital funds, hedge funds, real estate funds, mutual funds and other investments. Insight has established policies and procedures requiring certain approvals for investments in private companies and private funds by employees of Insight and most personal securities transactions by Insight personnel. However, the potential exists for personal securities transactions by Insight personnel, including those which have been pre-cleared or approved in advance, to generate significantly higher investment returns to such personnel than any of a

Fund's investment transactions generate for its own investors. Moreover, Insight's "Compliance Committee" may determine that a company identified as a potential investment opportunity for a Fund is not suitable or appropriate for the Fund. The potential exists for Insight personnel, other co-investors or competitors of Insight to invest in such company and realize significantly higher investment returns than any of a Fund's investment transactions generate for its own investors.

In the event of a conflict of interest that is not otherwise addressed by the applicable limited partnership agreement, each of the applicable General Partner and Insight will be guided by its fiduciary responsibilities, compliance policies and procedures and good faith judgment as to the best interests of the Fund and may, pursuant to the limited partnership agreement of the Fund, seek guidance from the applicable Advisory Committee of the Fund.

## **Item 12 Brokerage Practices**

Insight has discretionary authority over the Funds' accounts including the buying and selling of securities and the amount of securities to be bought or sold. Insight may employ the services of a broker-dealer to acquire or dispose of interests in portfolio companies. Insight is responsible for evaluating and selecting broker-dealers for the Funds, and Insight determines the commission rates to be paid through negotiation with the broker-dealers.

In selecting broker-dealers through which orders for Funds are to be executed, Insight considers various factors. As a fiduciary, Insight must execute securities transactions in such a manner that a Fund's total cost or proceeds in each transaction is the most favorable under the circumstances. The determinative factor is whether the transaction represents the best qualitative execution for the account and not whether the lowest possible commission cost was obtained. Thus, Insight will consider the full range and quality of the broker-dealer's service in selecting a broker-dealer to meet best execution obligations, and may not pay the lowest commission rate available. The primary consideration is the trade price and commission quoted by the broker-dealers.

Insight generally manages the assets of the limited partnerships within a Fund in lockstep fashion. Each Fund, however, generally has a limited period during which it is permitted to make new investments. Generally speaking, once that open investment period ends, the Fund is restricted to making follow-on investments in portfolio companies and generally may not make new investments in other companies, subject to provisions in the applicable limited partnership agreement. Insight manages its Funds in a manner that generally avoids the circumstance where Funds from different vintage years have open investment periods at the same time. The following procedures apply in situations when multiple Funds have the opportunity to invest in the same portfolio company.

- *Suitability Determination.* After the Investment Committee identifies an investment opportunity, it will determine if the investment opportunity is suitable and appropriate for one or more Funds.
- *Fair and Equitable Allocation.* If the Investment Committee determines that it is in the best interests of more than one Fund to take advantage of the investment opportunity, Insight will aggregate the investments of the participating Funds and allocate the resulting securities among them, in each case in a fair and equitable manner as

determined by the Investment Committee taking into consideration any differences in investment guidelines, asset diversification needs, risk profile, uncalled capital commitments and other sources of liquidity, and any other relevant facts and circumstances that apply. Unless the Investment Committee determines otherwise, participating Funds with similar vintage years are, subject to requirements of the applicable limited partnership agreement, generally expected to participate in the same investment opportunity in lockstep fashion.

In addition, such transactions are governed by the applicable Funds' limited partnership agreements and may require the consent of the Funds' Advisory Committees.

### **Item 13    Review of Accounts**

Insight's Managing Directors generally meet weekly to evaluate both current and prospective investments. Insight monitors and reviews the performance of each portfolio company investment. Insight's senior deal team conducts in-depth quarterly reviews of the performance and outlook for each portfolio company. Insight's internal Finance Group monitors all cash inflows and outflows from Insight's Funds.

Insight holds annual meetings at which Insight's Managing Directors provide Investors in the Funds with comprehensive reviews of the performance of the Funds and portfolio companies. At least quarterly, Insight's investment professionals prepare a review of each Fund's investments for Investors. In addition, the financial statements of the Funds are audited annually.

Insight may review a client account on other than a periodic basis upon the occurrence of material events that, based on the reasonable business judgment of the responsible Managing Director, require consideration by the Investment Committee or the senior deal team before the next scheduled meeting of the Investment Committee.

Insight provides such reports (and at such frequency) as will be required by the applicable limited partnership agreements for each Fund. As a result, in general, each quarter Insight issues an unaudited quarterly capital account statement to Investors. Insight also issues a quarterly report for each Fund. The quarterly report typically includes the following: a summary of portfolio holdings; distributions; unaudited financial statements, including a balance sheet, statement of changes in Investors' capital, and statement of operations; and a description of some or all of the Fund's portfolio companies, which may include updates on the financial performance of the companies and relevant news. Investors receive audited financial statements within 120 days of the end of each fiscal year. Insight or its affiliates may by agreement provide additional information or reports to certain Investors.

Each Fund has an Advisory Committee that meets quarterly to receive additional reports about portfolio companies from Insight's investment professionals.

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

Insight or its affiliates may use a placement agent in connection with Fund offerings. For a number of Insight Funds, Sparring Partners Capital LLC, a broker-dealer registered with the SEC



under the Securities Exchange Act of 1934, was retained by a General Partner as placement agent (“Sparring Partners”) to certain prospective Investors.

Sparring Partners generally receives a placement fee with respect to the Investors it solicits and that invest, consisting of a cash fee and, with respect to certain Funds, a participation in the General Partner’s Carried Interest Percentage. Such placement fees may be paid by the Fund but will reduce management fees payable to Insight.

Various potential and actual conflicts of interest may exist or arise from Sparring Partners’ business activities and relationships with its clients, investors whom it solicits for Funds and portfolio companies of the Funds or other funds not affiliated with Insight. Sparring Partners has provided, and may continue to provide, a number of services to Insight, the Funds, and certain portfolio companies, has a number of relationships with Insight, the Funds and certain of the portfolio companies, and may have various relationships with potential portfolio companies. In particular, Warren Spar, the principal of Sparring Partners, is a limited partner in certain of the Funds; Warren Spar is a co-investor in certain Fund portfolio companies; Sparring Partners has provided investment banking services to a number of Fund portfolio companies; and Sparring Partners may provide investment banking services to portfolio companies in which a Fund may in the future invest. Please refer to Item 11 for a discussion of how we address conflicts of interest that arise in the context of business relationships.

## **Item 15 Custody**

Pursuant to applicable regulation, Insight is considered to have custody of its Funds’ cash and securities. Insight maintains the Funds’ cash and certificated securities with independent qualified custodians. Insight arranges for each Fund’s financial statements to be prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and audited at least annually by an independent public accountant that is registered with, and subject to regular inspection as of the commencement of the professional engagement period, and as of each calendar year-end, by, the Public Company Accounting Oversight Board in accordance with its rules. Insight makes those audited financial statements available to all Investors in the Fund within 120 days of the end of the Fund’s fiscal year. Upon liquidation of a Fund, Insight will distribute its audited financial statements prepared in accordance with GAAP to all Investors in a Fund promptly after the completion of such audit. Because Insight’s clients are the Funds and the Funds are subject to the foregoing audits, a qualified custodian is not required to send account statements to clients or Investors.

## **Item 16 Investment Discretion**

Insight accepts discretionary authority to manage securities accounts on behalf of a Fund pursuant to its limited partnership agreement, subject to limitations set forth therein. Each limited partnership agreement is subject to negotiation with Investors and typically, for example and without limitation, establishes the Fund’s investment objective, policies, strategies and limitations. Examples of such limitations include limitations on the amount of capital that may be invested in any one portfolio company, geographical limitations and limitations on borrowing by a Fund.

## **Item 17    Voting Client Securities**

Insight votes all proxies in the best interests of Insight's clients unless under the facts and circumstances the responsible Insight Investment Team Managing Director determines that voting is not reasonably practicable (such as, but not limited to, where English language translations of proxy materials are not available). Insight believes that this means the clients' best economic interests over the long-term – that is, the common interest that all clients share in seeing the value of a common investment increase over time. Insight does not take investment positions outside of the Funds it manages and therefore does not anticipate a situation where there would be a conflict between maximizing long-term investment returns for Funds and interests of Insight. If such a situation should arise involving a public security, Insight's Compliance Committee will independently review and evaluate the proxy proposal and the circumstances surrounding the conflict to determine how to vote the proxy in the best interest of the Fund. The Compliance Committee may also determine whether the conflict of interest involving the public security will be disclosed to the Funds (and/or Investors) and whether to obtain consent prior to voting.

Insight's General Counsel and Chief Compliance Officer are responsible for voting proxies. In deciding how to vote a proxy, these officers are generally expected to consult with the Investment Team Managing Director responsible for covering the portfolio company which is soliciting the proxy vote. They may also consult with Insight's Chief Financial Officer and such other persons as they deem advisable. Clients may obtain a copy of our proxy voting policies and procedures upon request.

## **Item 18    Financial Information**

We are not aware of any financial condition that is reasonably likely to impair our ability to meet our contractual commitments to our clients. We have not been the subject of a bankruptcy petition within the preceding ten years.