

# Sands Capital Ventures, LLC

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1101 Wilson Blvd., Suite 2300  
Arlington, VA 22209  
(703) 562-4000

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This brochure provides information about the qualifications and business practices of Sands Capital Ventures, LLC (“*Sands Ventures*”). If you have any questions about the contents of this brochure, please contact us at (703) 562-4000. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “*SEC*”) or by any state securities authority.

Sands Ventures is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about Sands Ventures is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Sands Ventures is 155517.

**ITEM 2. MATERIAL CHANGES**

No material changes have been made to this brochure since its initial filing on March 29, 2012.

### **ITEM 3. TABLE OF CONTENTS**

ITEM 4. ADVISORY BUSINESS .....	4
ITEM 5. FEES AND COMPENSATION .....	5
ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	6
ITEM 7. TYPES OF CLIENTS .....	6
ITEM 9. DISCIPLINARY HISTORY .....	9
ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	10
ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....	10
ITEM 12. – BROKERAGE PRACTICES.....	12
ITEM 13. – REVIEW OF ACCOUNTS.....	12
ITEM 14. – CLIENT REFERRALS AND OTHER COMPENSATION .....	13
ITEM 15. – CUSTODY .....	13
ITEM 16. – INVESTMENT DISCRETION .....	13
ITEM 17. – VOTING CLIENT SECURITIES .....	13
ITEM 18. – FINANCIAL INFORMATION .....	14

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#### ITEM 4. ADVISORY BUSINESS

Sands Ventures is an investment adviser formed in October 2010 as a wholly-owned subsidiary of Sands Capital Management, LP (“*Sands LP*”). An affiliate of Sands LP, Sands Family Trust, LLC, serves as the manager of Sands Ventures. The ownership structure of Sands LP is described in *Item 10*.

Sands Ventures provides investment advisory and management services to clients regarding venture capital, private equity and related investments. Sands Ventures focuses its investment research and due diligence efforts across industries, including life sciences, health care, technology and e-commerce. Sands Ventures’s investment strategy and methods of analysis are described in *Item 8*.

Sands Ventures’s investment research and due diligence is not tailored to the individual needs of any client. Sands Ventures does not collect any information about its clients (other than requiring clients to meet the general qualifications described in *Item 7*) that would permit Sands Ventures to conduct such a suitability analysis. Clients may not impose any restrictions or limitations on the types of investments that Sands Ventures researches.

Sands Ventures enters into investment advisory agreements with its clients pursuant to which it may present clients with venture capital or similar investment opportunities it has researched. A client must independently determine whether to invest in these investment opportunities based upon the client’s own evaluation of the investments. Sands Ventures has discretion in determining whether any clients, and if so, which ones, receive access to the investments it researches. Sands Ventures may also select the amount of available capacity in the investments to be allotted to its clients. Allocations are made based on Sands Ventures’s expectations as to a client’s interest and such other considerations as it deems appropriate. Clients have no right to be made aware of or to participate in any investment opportunity that Sands Ventures identifies.

Sands Ventures’s clients generally participate in investments through special purpose vehicles, typically formed as Delaware limited liability companies (“*Transaction Vehicles*”), which purchase and hold the investments. The Transaction Vehicles issue equity interests in exchange for capital contributions by participating clients. The proceeds are then used to make the investment identified by Sands Ventures in a private placement transaction and to pay the Transaction Vehicle’s expenses. Each investment is held by a separate Transaction Vehicle (although two Transaction Vehicles may, in Sands Ventures’s discretion, invest on a side-by-side basis if it determines that structure is necessary or advisable).

If Sands Ventures has the opportunity to make a follow-on investment in a particular company, it may make the investment either through the existing Transaction Vehicle or a new Transaction Vehicle. In either case, it may make the follow-on investment in the existing Transaction Vehicle, or a newly formed Transaction Vehicle, in its discretion. If Sands Ventures determines to make the investment through the existing Transaction Vehicle, new clients may be admitted as additional members of the Transaction Vehicle, in Sands Ventures’s discretion. New members will generally not participate in the existing investments held by the Transaction Vehicle, but will only participate in the follow-on investment.

Clients have no right to redeem their membership interests in a Transaction Vehicle prior to the expiration of its term, and can obtain liquidity only upon the termination of the Transaction Vehicle or a partial disposition of its investments.

Sands Ventures provides management services to the Transaction Vehicles, including, among other things, (i) determining the timing and terms of the investments by the Transaction Vehicles in the companies it identifies, (ii) providing ongoing management of the investments, including in some instances providing strategic advice to the company's management, (iii) determining whether or not to cause a Transaction Vehicle to participate in follow-on financing of the company, and (iv) determining the timing and terms of a Transaction Vehicle's disposal of its investments.

None of the Transaction Vehicles will be registered as an investment company under the Investment Company Act of 1940. The offer and sale of the securities of each Transaction Vehicle will not be registered under the Securities Act of 1933.

Sands Ventures had assets under management of approximately \$4.2 million as of March 15, 2013.

#### **ITEM 5. FEES AND COMPENSATION**

Clients do not pay an advisory fee pursuant to their advisory agreements. However, members of a Transaction Vehicle may pay an investment management fee to Sands Ventures as the investment manager of the Transaction Vehicle based on the value such Transaction Vehicle's assets.

Members of the Transaction Vehicles may be subject to an incentive allocation paid to Sands Ventures or its affiliate equal to a percentage (generally 20%) of the net realized gains on the full or partial disposition of the securities held by the Transaction Vehicle. Generally, an incentive allocation will be distributed following a full or partial disposition of a Transaction Vehicle's assets, or another liquidity event that gives rise to a distribution by the Transaction Vehicle to all of its members. An incentive allocation will generally only be made with respect to a member after the member has received a full return of its capital contributions to the Transaction Vehicle.

The Transaction Vehicles may have different incentive allocation structures. Sands Ventures may separately negotiate terms with individual clients, which may result in a member being subject to an incentive allocation that is different from those applicable to other members of the same Transaction Vehicle. The incentive allocation applicable to certain members may be reduced or eliminated for such period(s) as Sands Ventures determines, in its discretion. When Sands Ventures personnel or affiliates invest in a Transaction Vehicle, they generally will not be subject to an incentive allocation (or may be subject to a reduced allocation), in Sands Ventures's discretion.

Each Transaction Vehicle bears its own start-up, offering and organizational expenses, as well as the ongoing fees or expenses incurred in connection with its business. In order to pay anticipated expenses, a portion of the members' capital contributions may be maintained by a Transaction Vehicle in cash or cash management instruments. Expenses or liabilities that are attributable or allocable to more than one Transaction Vehicle may be allocated in a manner deemed equitable.

Sands Ventures, its affiliate, or a third party may perform certain administrative services on behalf of the Transaction Vehicles (including, but not limited to, bookkeeping and financial reporting). The Transaction Vehicles will reimburse Sands Ventures or its affiliate for any expenses incurred on their behalf. The Transaction Vehicles will pay fees to third parties for such services according to their standard fee schedules, and may reimburse such parties for certain expenses incurred on behalf of the Transaction Vehicles.

None of our personnel accepts any compensation for the sale of securities or other investment products.

#### **ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Incentive allocations are based on the net realized appreciation of assets held by a Transaction Vehicle. Such performance-based compensation may create an incentive for Sands Ventures to make investment decisions that are riskier or more speculative than would be the case in the absence of a financial incentive based on performance. Moreover, certain clients, including Sands Ventures's investment personnel and affiliates may not be subject to an incentive allocation (or may incur a reduced allocation).

Sands Ventures monitors the investments held by the Transaction Vehicles on an ongoing basis, and will endeavor to ensure that it is appropriate to continue holding each investment without regard to the potential for performance-based compensation. In addition, each applicable client is required to represent that it is a "*qualified client*" within the meaning of Rule 205-3 under the Investment Advisers Act of 1940.

#### **ITEM 7. TYPES OF CLIENTS**

Sands Ventures anticipates that its clients will generally be high net worth individuals (and their related investment entities) and institutions. Sands Ventures does not, however, intend to limit clients to such individuals and entities. A client generally must be both (1) an "*accredited investor*" as defined in Regulation D under the Securities Act of 1933 and (2) a "*qualified client*" as defined in Rule 205-3 under the Investment Advisers Act of 1940. In some cases, a client may also be required to be a "*qualified purchaser*" as defined by the Investment Company Act of 1940 and the rules thereunder. Subject to certain limitations, Sands Ventures may accept a "*benefit plan investor*" as defined by the Employee Retirement Income Security Act of 1974 as a client.

#### **ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Fundamental, bottom-up, company-focused research is the core of Sands Ventures's investment process. Sands Ventures uses input from various methods of security analysis and various combinations of methods in rendering investment advisory services. Sands Ventures's method of security analysis may include general market, specific industry, or individual security technical or trend analysis. Sands Ventures's investment professionals may conduct on-site visits with senior management of companies it regards as potential investments.

### ***Identification of Investments***

Sands Ventures's principal sources of information include company prepared and disseminated information, physical inspections of corporate offices, plants, and other assets, discussions with corporate management, research materials prepared by others, scientific and medical literature, and discussions with consultants, physicians, scientists, or others concerning underlying technology. Sands Ventures's uses input from various methods of security analysis and various combinations of analytical methods.

### ***Targeted Investment Characteristics***

Sands Ventures focuses its investment research on venture capital, private equity and related investments, including early stage venture capital and late stage growth capital. Sands Ventures evaluates businesses in varying stages of development, with a preference for businesses with validated technologies and platforms with an identifiable path to revenue generation and profitability. Sands Ventures will identify businesses that span various stages of financing, ranging from non-revenue-producing businesses to profitable businesses seeking growth capital.

Sands Ventures may identify investment opportunities in domestic and foreign equity securities, including preferred and convertible stock as well as common stock of any type. Sands Ventures may also from time to time identify investments in secured or unsecured debt, convertible debt, options, warrants, rights, or such other securities as it deems advisable.

### ***Investment Risks***

Investing in securities involves risk of loss, which investors must be prepared to bear; venture capital investments of the type targeted by Sands Ventures involve a particularly high level of risk, and clients should be able to bear the loss of all or part of their investment. The risk factors listed below represent a limited summary of the various risks presented by the investment opportunities Sands Ventures's identifies.

*Risk Inherent in Venture Capital Investments.* The investments Sands Ventures's identifies will involve a high degree of risk. In general, the financial and operating risks confronting these companies may be significant. While targeted returns should reflect the perceived level of risk in any investment situation, there is no assurance that investors will be adequately compensated for risks taken.

Early stage and development stage companies often experience unexpected problems in the areas of product development, manufacturing, marketing, financing and general management, which, in some cases, cannot be adequately solved. In addition, such companies may require substantial amounts of financing, which may not be available through institutional private placements or the public markets. The percentage of companies that survive and prosper can be small.

Investments in more mature companies in the expansion or profitable stage also involve substantial risks. In certain cases, the companies may have previously obtained capital in the form of debt or equity to expand rapidly, reorganize operations, acquire a business, or develop new products and markets. By definition, these activities involve a significant amount of change in a company and could give rise to significant problems in sales, manufacturing, and general management of these activities.

*Investment in Companies Dependent Upon New Scientific Developments and Technologies.* Investment opportunities will often involve companies developing new technologies or methods. Companies reliant upon the development of new technologies pose certain risks, including:

- rapidly changing science and technologies;
- products or technologies that may quickly become obsolete;
- exposure to a high degree of government regulation, making these companies susceptible to changes in government policy and failures to secure, or unanticipated delays in securing, regulatory approvals;
- scarcity of management, technical, scientific, research and marketing personnel with appropriate training;
- the possibility of lawsuits related to patents and intellectual property; and
- changing investor sentiments and preferences with regard to the specific industry sector relevant to the development or technology.

*Illiquid Investments.* The investments in companies Sands Ventures identifies will be illiquid. Due to the illiquid nature of the investments, Sands Ventures may be unable to predict with confidence what the exit strategy will ultimately be, or that one will become available. Exit strategies that appear to be viable when an investment is initiated may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors.

*Potential Liabilities.* Sands Ventures personnel may become actively involved in the management of a company, including, without limitation, by serving as a member of the company's board of directors or an observer to the board. This could result in the individual or a Transaction Vehicle being named as a defendant in litigation. Typically, companies will have insurance to protect directors and officers, but this insurance may be inadequate. Each Transaction Vehicle will indemnify Sands Ventures and its personnel for liabilities arising out of the services they provide.

*Potential for Unexpected Risks.* In researching potential investments, Sands Ventures will in many instances rely on materials created or provided by a company or its affiliates. Such materials are often provided on an "as-is" basis, and Sands Ventures may have a limited ability to verify the information they contain. There is no assurance that the information provided to Sands Ventures will fairly represent the business, operations and financial outlook of a potential investment. As a result, we may not be able to properly identify, assess and quantify the risks involved in an investment in the company. These unforeseen and unidentified risks could have an adverse effect on the investment.

*Current Market Conditions.* Recent events in the financial sector have resulted, and may continue to result, in an unusually high degree of volatility in the financial markets. Both debt and equity markets, domestic and foreign, have experienced and may continue to experience increased volatility and turmoil. It is uncertain whether or for how long these conditions will continue. In addition, the U.S. government has taken a number of unprecedented actions to support certain financial and other institutions and segments of the financial markets that have experienced extreme volatility and, in some cases, a lack of liquidity. These events and possible continued market turbulence may have an adverse effect on the investments we identify.



Equity Securities. The investments Sands Ventures identifies will usually be in equity securities. Investment in equity securities offers the potential for substantial capital appreciation. However, it also involves certain risks, including issuer, industry, market and general economic related risks. While offering greater potential for long-term growth, equity securities are more volatile and more risky than some other forms of investment.

Options and Warrants. In addition to equity securities, in certain circumstances an investment opportunity may also involve options or warrants.

The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, either to purchase or sell the underlying security or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium.

Warrants can be more speculative than certain other types of investments in that they do not entitle a holder to dividends or voting rights, nor do they represent any rights in the assets of the issuing company. Investment in warrants involves certain additional risks, including the possible lack of a liquid market for the resale of the warrants, potential price fluctuations as a result of speculation or other factors, and failure of the price of the underlying security to reach a level at which the warrant can be prudently exercised (in which case the warrant may expire without being exercised, resulting in the loss of the entire investment).

Convertibles. An investment may also involve debt securities, preferred stock, or other securities that may be converted into common or other stock (convertibles). Convertibles typically accrue current income as either interest (debt security) or dividends (preferred stock). A convertible's value usually reflects both the stream of current income payments and the value of the underlying stock. The market value of a convertible performs like that of a regular debt security; that is, if market interest rates rise, the value of a convertible usually falls. Since it is convertible into stock, a convertible generally has the same types of market and issuer risk as the underlying stock. Convertibles that are debt securities are also subject to the normal risks associated with debt securities, such as interest rate risk, credit spread expansion and ultimately default risk. Convertibles are also prone to liquidity risk, as demand can dry up periodically and bid/ask spreads on bonds can widen significantly.

An issuer may be more likely to fail to make regular payments on a convertible than on its other debt because other debt securities may have a prior claim on the issuer's assets, particularly if the convertible is preferred stock. However, convertibles usually have a claim prior to the issuer's common stock. In addition, for some convertibles, the issuer can choose when to convert to common stock, or can "call" (redeem) the convertible, which may be at times that are disadvantageous.

## **ITEM 9. DISCIPLINARY HISTORY**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an evaluation of their advisory business or the integrity of their management. Sands Ventures has no such events and therefore no information to disclose pursuant to this item.

## ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Sands LP is the sole member of Sands Ventures. Sands Family Trust, LLC is the manager of Sands Ventures. Sands Ventures has entered into a services agreement with its affiliate Sands Capital Management, LLC, an SEC-registered investment adviser ("*Sands Capital*"), pursuant to which Sands Capital is providing the personnel and resources to conduct Sands Ventures's business. Certain clients of Sands Capital may become clients of Sands Ventures and vice versa. Sands Ventures and Sands Capital may refer clients to each other from time to time. Officers, employees and affiliates of Sands Capital may invest in investment opportunities alongside clients of Sands Ventures or on a side-by-side basis through separate investment vehicles, and may invest in opportunities that are not presented to Sands Ventures's clients. In the event the securities issued by a portfolio company in which Sands Ventures's clients, officers, employees or affiliates have indirectly invested become listed on a national securities exchange, Sands Capital may invest in such securities for its client accounts.

Sands LP is the majority owner of Sands Capital. Sands Family Trust, LLC, the general partner of Sands LP, owns a nominal interest in Sands Capital and serves as Sands Capital's manager. Officers and employees of Sands Capital own interests in Sands LP.

Sands LP is controlled by two limited liability companies, each of which own less than fifty percent of Sands LP. Frank M. Sands, Sr. and Marjorie R. Sands ultimately control one of these limited liability companies; Frank M. Sands, Jr. ultimately controls the other.

## ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

### *Code of Ethics and Personal Trading*

Sands Ventures has adopted a code of ethics in compliance with the Investment Advisers Act of 1940. The code of ethics is based on the principle that Sands Ventures and its personnel owe a fiduciary duty to Sands Ventures's clients. As fiduciaries, Sands Ventures's personnel must act at all times in the best interests of clients and avoid actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

Sands Ventures's code of ethics permits Sands Ventures personnel to trade in securities for their own accounts, *provided* that they comply with the restrictions imposed by the code. Under the code, certain personal securities transactions must receive written approval from Sands Ventures's Chief Compliance Officer (or his or her delegate) before a transaction can be initiated. The code also requires periodic reporting of personal securities transactions and holdings. Each calendar quarter, Sands Ventures personnel are required to provide copies of all transactions in covered securities to the Chief Compliance Officer.

Clients may request a copy of the Sands Ventures' code of ethics by contacting the Chief Compliance Officer at (703) 562-5293, writing to 1101 Wilson Blvd., Suite 2300, Arlington, VA 22209, or emailing [jgoodman@sandscap.com](mailto:jgoodman@sandscap.com).

*Inside Information.* Sands Ventures personnel may at times come into possession of material non-public information through a number of means, including as a result of sitting on or serving as

an observer to the board of directors of a company whose securities are held by a Transaction Vehicle. Sands Ventures has adopted policies addressing the handling and protection of material non-public information. In accordance with these policies, Sands Ventures and its personnel will be prohibited from using inside information to buy or sell securities until the information has been disclosed to the public or is no longer material. This may cause Sands Ventures to be unable to dispose of or otherwise take action with respect to an investment at a given time, even if the action were in the best interests of applicable Transaction Vehicles.

*Restricted List.* In certain circumstances, Sands Ventures may conclude that a particular security should be placed on the “restricted list.” While a security is on this list, purchases, sales, or other transactions in the security may be prohibited. The reasons for placing a security on the restricted list include, but are not limited to, (i) preventing the appearance of impropriety in connection with a trading decision, and (ii) preventing the use, or appearance of the use, of inside information.

### ***Participation or Interest in Client Transactions***

Sands Ventures and its related persons may invest in a Transaction Vehicle alongside clients or in an investment opportunity on a side-by-side basis with a Transaction Vehicle, and may invest in opportunities that are not presented to clients. In the event that one or more of our related persons invests in a Transaction Vehicle, they will receive distributions in respect of their pro-rata interest at the same time as other investors, and their interest will be subject to the same limitations on withdrawal pursuant to the Transaction Vehicle’s governing documents. In the event that one or more related persons invests alongside a Transaction Vehicle, they will make their respective investments contemporaneously with the Transaction Vehicle’s investment, on the same terms and conditions as the Transaction Vehicle, and will dispose of each such investment at substantially the same time and terms as the Transaction Vehicle.

Sands Ventures’s discretion in providing access to investments could result in a conflict of interest, as Sands Ventures may have an incentive to allocate the most promising investments to its personnel or affiliates, or clients it believes could provide Sands Ventures or its affiliates with some strategic benefit. Sands Ventures believes, however, that this potential conflict will not be of significance because, under our advisory agreements, clients are not entitled to participate in any particular investments and they do not pay any advisory fees. Even if allocations were to be made in a manner favoring Sands Ventures’s affiliates or certain clients, other clients would not be deprived of any benefit for which they had paid or which they were led to expect.

The Transaction Vehicles may make incentive allocations to Sands Ventures or its affiliates from profits derived from the investments. This performance-based compensation and the related conflicts of interest are discussed in *Item 6*.

Sands Ventures or its related persons may be compensated by the companies whose securities are held by the Transaction Vehicles for advisory, consulting, or other services rendered in connection with the investment. Please refer to *Item 14* for additional information.

Sands Ventures, its affiliates, or a third party may perform certain administrative services on behalf of the Transaction Vehicles (including, but not limited to, bookkeeping and financial

reporting). The Transaction Vehicles will reimburse Sands Ventures or its affiliate for any expenses incurred on their behalf.

## **ITEM 12. – BROKERAGE PRACTICES**

Sands Ventures anticipates that the Transaction Vehicles generally will purchase investments in private placement transactions, without the assistance of a broker-dealer and without payment of any brokerage commissions or dealer mark-ups. In certain cases, however, particularly in the disposition of investments, Sands Ventures has the authority and discretion to select brokers or dealers to execute securities transactions for the Transaction Vehicles.

In selecting and using a broker-dealer, Sands Ventures will effect securities transactions in a manner deemed fair and reasonable. The primary consideration in all such transactions is prompt execution of orders in an efficient manner at a favorable price. In selecting broker-dealers and negotiating commissions, Sands Ventures may consider a variety of factors, including the price of the security, the quality of execution and liquidity services provided by the broker-dealer, the broker-dealer's ability to obtain a timely execution, and the size and difficulty of the order. Sands Ventures may also consider the reliability, efficiency, accuracy and integrity of the broker-dealer's general execution and operational capabilities, and the broker-dealer's financial condition.

Sands Ventures may execute securities transactions on an agency or principal basis with a broker-dealer, which may result in a Transaction Vehicle (and thus its members) incurring two transaction costs for a single trade: a commission paid to the executing broker plus the market maker's mark-up.

Sands Ventures anticipates that transactions normally will not provide it with the opportunity to generate soft dollars. If, however, it were to generate soft dollars, Sands Ventures would only use such soft dollars within the "safe harbor" provided under Section 28(e) of the Securities Exchange Act of 1934.

In selecting or recommending broker-dealers, Sands Ventures does not consider whether it or a related person receives client referrals from a broker-dealer or third party.

Because each Transaction Vehicle holds a different investment, Sands Ventures generally will not have the opportunity to aggregate trades for more than one Transaction Vehicle.

Clients are not permitted to direct brokerage with respect to purchases or sales of securities by the Transaction Vehicles.

## **ITEM 13. – REVIEW OF ACCOUNTS**

Sands Ventures's investment personnel research and attempt to identify new, potentially profitable investment opportunities. They also review the investments held by the Transaction Vehicles as deemed appropriate, depending upon the nature of the investment. Sands Ventures's investment personnel may assume a seat on a company's board of directors or serve as an observer to the board. In conjunction with such position, Sands Ventures will provide operational, strategic and scientific support to the business.

Sands Ventures will provide quarterly and annual written status reports on investments then held by the Transaction Vehicle.

#### **ITEM 14. – CLIENT REFERRALS AND OTHER COMPENSATION**

Sands Ventures or its related persons may be compensated by the companies whose securities are held by the Transaction Vehicles for advisory, consulting, or other services rendered in connection with the investment. Clients have no claim to, or offset against, such compensation, nor will the payment of any fees to us or our related persons result in a reduction of compensation or distributions otherwise payable to us or our related persons, unless the operating agreement for the applicable Transaction Vehicle provides otherwise. Sands Ventures addresses the conflict of interest this presents by negotiating at arm's length and generally seeking to ensure that the fees are, in our good faith opinion, in accordance with prevailing market rates in the relevant industry. Sands Ventures does not take into consideration whether a company will pay it or an affiliate a service fee when making an investment determination. Sands Ventures discloses all fees that are known or reasonably expected to be received from a particular company at the time an investment is made.

Neither Sands Ventures nor any related person directly or indirectly compensates any person for client referrals.

#### **ITEM 15. – CUSTODY**

Sands Ventures does not have physical custody of client funds or securities. However, Sands Ventures or its affiliate, as manager of the Transaction Vehicles, will be deemed to have custody of the funds and securities of the Transaction Vehicles under Investment Advisers Act Rule 206(4)-2. Any assets of a Transaction Vehicle will be held with a “*qualified custodian*”, as defined in the rule, generally a bank or broker-dealer, independent of Sands Ventures. Clients who are members of a Transaction Vehicle will receive account statements from the qualified custodian(s) and should review such statements carefully.

#### **ITEM 16. – INVESTMENT DISCRETION**

Sands Ventures has full discretionary authority over the investment activities of the Transaction Vehicles, and clients investing in the Transaction Vehicles may not impose any limitations on that authority.

#### **ITEM 17. – VOTING CLIENT SECURITIES**

Sands Ventures has adopted policies and procedures with respect to the voting of securities held by the Transaction Vehicles. Sands Ventures's policy is to evaluate and vote in a manner consistent with a Transaction Vehicle's best interest. Sands Ventures believes that it acts in the best interest of a Transaction Vehicle when it votes in a manner that maximizes shareholder value. Prior to a voting deadline, Sands Ventures determines how to vote on each proposal based on Sands Ventures's analysis of the information received and its proxy voting guidelines. In voting, Sands Ventures typically is neither an activist in corporate governance nor an automatic supporter of management. Further, there may be times when it determines that refraining from voting is in a

Transaction Vehicle's best interest, such as when the cost of voting exceeds the expected benefit to the Transaction Vehicle.

If the investment personnel responsible for reviewing a proposal determine that (a) it is in a Transaction Vehicle's best interest to vote on a particular proposal in a manner other than in accordance with our proxy voting guidelines, or (b) a material conflict of interest exists, then the matter will be reviewed by our Proxy Committee. Additionally, prior to voting on the proposal Sands Ventures may (i) contact an independent third party for its recommendation on how to vote and vote in accordance with that recommendation, or (ii) fully disclose the nature of the conflict to members of the Transaction Vehicle and obtain their consent as to how it intends to vote.

Clients who are members of a Transaction Vehicle may obtain information regarding how Sands Ventures voted proxies relating to securities held by the Transaction Vehicle, and/or request a copy of our proxy voting policies and procedures, by contacting the Chief Compliance Officer at (703) 562-5293, writing to 1101 Wilson Blvd., Suite 2300, Arlington, VA 22209, or emailing [jgoodman@sandscap.com](mailto:jgoodman@sandscap.com).

#### **ITEM 18. – FINANCIAL INFORMATION**

Registered investment advisers with discretionary authority are required to disclose any financial commitment that is reasonably likely to impair their ability to meet contractual commitments to clients. Sands Ventures has no such commitments or any other information to disclose pursuant to this item.