

Form ADV Part 2A: Firm Brochure
Item 1 – Cover Page



Baker Bros. Advisors LP

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This Form ADV Part 2A (the “Brochure”) provides information about the qualifications and business practices of Baker Bros. Advisors LP (“BBA”, “BBI”, “Baker Brothers Investments”, “the Adviser” or the “Firm”). If you have any questions about the contents of this Brochure, please contact Scott Lessing, President, at 212-339-5600 or bbcompliance@bbinvestments.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about BBA also is available on the SEC’s website at www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with BBA who are registered, or are required to be registered, as investment adviser representatives of BBA.

From time to time, in this and other documents, BBA may refer to itself as a “registered investment adviser” by virtue of its registration with the SEC. Registration with the SEC does not imply any level of training or skill. Baker Brothers Life Sciences Capital, L.P., 14159 Capital, L.P., Baker/Tisch Capital, L.P., Baker Bros. Capital, L.P., Baker Biotech Capital, L.P., and Baker Biotech Capital II (A) , L.P. (the “Relying Advisers”) have not separately registered as investment advisers under the Advisers Act because they are under the control of BBA and are identified as relying advisors in BBA’s Form ADV Part 1.

Item 2 – Material Changes

If you are amending your *brochure* for your annual update and it contains material changes from your last annual update, identify and discuss those changes on the cover page of the *brochure* or on the page immediately following the cover page, or as a separate document accompanying the *brochure*. You must state clearly that you are discussing only material changes since the last annual update of your *brochure*, and you must provide the date of the last annual update of your *brochure*.

There are no material changes.

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Item 4 – Advisory Business

A. Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).

BBA, a Delaware limited partnership, is an investment adviser located in New York, New York and has been providing advisory services since January, 2000. BBA serves as a discretionary investment advisor to certain private investment funds (each a “Fund” or “Client” and, collectively “the Funds”), which are generally organized as domestic limited partnerships. Affiliates of BBA serve as the general partners (each, a “General Partner” or “Relying Adviser”) of the Funds and are registering as relying advisers because they advise the Funds regarding their selection of a manager and are parties to Management Agreements under which they delegated to BBA exclusive, complete and unlimited discretion and authority with respect to the Fund’s investments and voting power over the investments, with each Relying Adviser retaining solely the authority to terminate the Management Agreements with 70 days prior written notice. The Relying Advisers and BBA are together filing a single Form ADV in reliance on the position expressed in the American Bar Association no-action letter (publicly available January 18, 2012). So long as BBA is registered under the Advisers Act, each Relying Adviser will conduct its investment advisory activities in accordance with the Investment Advisers Act of 1940 and the policies and procedures of BBA, and each Relying Adviser's employees and activities will be subject to BBA’s supervision and control.

BBA’s and the Relying Advisers’ founders and principal owners are Julian Baker and Felix Baker.

B. Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.

BBA generally has broad investment authority with respect to its Clients, subject to certain pre-agreed limitations applying on a portfolio-wide basis with respect to certain Clients and set forth in the applicable Client’s constituent documents (such limitations, “Investment Limits”).

BBA’s Clients primarily invest in public securities of life sciences and related health care companies. These securities include, but are not limited to: (1) equity securities, including exchange-listed and over-the-counter securities; (2) warrants; (3) corporate debt securities, including convertible bonds; (4) options contracts on securities; and (5) money market funds. BBA focuses on public securities, but may, from time to time, recommend investments in private companies, life sciences and related health care intellectual property, royalty streams or other “non-public” investment opportunities.

Clients may ask BBA to, and BBA may, provide investment advice with respect to other investment securities and instruments as is consistent with each respective Client's investment objective.

The Relying Advisers have no direct investment authority with respect to their Clients other than the authority to terminate the Management Agreements under which they delegated to BBA exclusive, complete and unlimited discretion and authority with respect to the Fund's investments and voting power over the investments, with each Relying Adviser retaining solely the authority to terminate the Management Agreements with 70 days prior written notice in order to select a new manager.

C. Explain whether (and, if so, how) you tailor your advisory services to the individual needs of *clients*. Explain whether *clients* may impose restrictions on investing in certain securities or types of securities.

BBA neither tailors its advisory services to the needs of individual investors in the Funds ("Investors"), nor accepts Investor-imposed investment restrictions other than the Investment Limits (which apply to all Investors in an applicable Fund).

Though BBA utilizes a similar strategy for all of the Funds, it may tailor the advisory services it provides to Clients to the extent that certain investments cannot be held by certain of BBA's Clients for legal or tax reasons.

Other than Baker Brothers Life Sciences, L.P., all of the Funds are currently closed to new Investors.

D. If you participate in *wrap fee programs* by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.

BBA does not participate in wrap fee programs.

E. If you manage *client* assets, disclose the amount of *client* assets you manage on a *discretionary basis* and the amount of *client* assets you manage on a *non-discretionary basis*. Disclose the date "as of" which you calculated the amounts.

As of December 31, 2013, the amount of Client assets managed by BBA ("AUM") was \$8,197,147,977 all of which is managed by BBA on a discretionary basis. BBA does not currently manage any Client assets on a non-discretionary basis.

Item 5 – Fees and Compensation

A. Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.

The Funds offer interests only to “qualified purchasers” within the meaning of Section 2(a)(51) of the Investment Company Act of 1940, as amended. Admission to the Funds is not open to the general public. Investors and prospective Investors should refer to the limited partnership agreement of the appropriate Fund for a detailed description of the fees.

The Funds generally compensate BBA with a management fee based on the committed capital, and in some cases the net assets, of the applicable Fund (the “Management Fee”). In addition, performance-based compensation, based on the net profits allocated to each Investor and calculated on a high watermark basis (the “Incentive Allocation”), is allocated to the general partners (which are affiliates of BBA) of the respective Funds. The amounts of the Management Fee and the Incentive Allocation vary among the Funds.

Although fee arrangements for certain Funds have been negotiated with the Investors of those Funds, such arrangements apply to all Investors in each such Fund. Otherwise, the Management Fee and Incentive Allocation are generally not negotiable.

Investors and prospective Investors should refer to the Funds’ partnership agreements for more detailed information regarding how BBA is compensated for its advisory services. The information contained herein is a summary only and is qualified in its entirety by such documents.

B. Describe whether you deduct fees from *clients*’ assets or bill *clients* for fees incurred. If *clients* may select either method, disclose this fact. Explain how often you bill *clients* or deduct your fees.

BBA deducts fees directly from the Funds’ assets. Investors do not have the ability to choose to be billed directly for fees. Management Fees are generally deducted monthly or quarterly in advance. The Incentive Allocation (if applicable) is generally made on the last business day of each calendar year, or at the time of withdrawal by an Investor subject to certain exceptions detailed in the Limited Partnership Agreement of each Fund.

Investors and prospective Investors should refer to the Funds’ partnership agreements for more detailed information regarding how BBA is compensated for its advisory services. The information contained herein is a summary only and is qualified in its entirety by such documents.

C. Describe any other types of fees or expenses *clients* may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that *clients* will incur brokerage and other transaction costs, and direct *clients* to the section(s) of your *brochure* that discuss brokerage.

In addition to the Management Fees and Incentive Allocations, each Fund generally bears its own (i) investment-related expenses (whether or not any such investment is consummated), (including the costs of consultants and experts sourced both directly and through expert networks; costs of primary research, such as direct surveys; and travel, including but not limited to airfare, which may be at charter, first-class, business class, or coach rates, higher-end hotels and meals) and fees embedded in money market funds held by the Funds; (ii) third-party legal, accounting, audit and tax preparation, appraisal, custodial and registration expenses, including third-party fund administration fees; (iii) offering expenses; (iv) liquidation expenses; (v) sales or other taxes, fees or government charges; (vi) expenses of members of the advisory boards of certain Funds; (vii) expenses relating to litigation and threatened litigation involving the Fund, including indemnification expenses; (viii) premiums for liability or other insurance to protect the Fund, its general partner, BBA, certain of BBA's affiliates, members of the Fund's advisory board (if applicable) and any of their respective partners, members, stockholders, officers, directors, employees, agents or affiliates in connection with the activities of the Fund¹; and (ix) other similar expenses related to the Fund and any extraordinary expenses.

Each Fund also bears all costs and expenses incurred in connection with its formation and organization (such costs and expenses, the "Organizational Costs"). Such Organizational Costs are, in the case of certain Funds, being amortized over the first 60 months of such Funds' operations for purposes of determining the capital accounts of the applicable Investors.

Any expenses that are attributable to more than one Fund are prorated by BBA among the applicable Funds as reasonably determined by BBA to properly reflect the benefit received by each Fund.

The Funds may be deemed to be paying for research and other services with bundled commission arrangements. Refer to Item 12 – Brokerage Practices for further information.

Investors and prospective investors should refer to the limited partnership agreement of the respective Fund for detailed information with respect to the fees and expenses they may pay in connection with an investment in such Fund. The information contained herein is a summary only and is qualified in its entirety by such documents.

D. If your *clients* either may or must pay your fees in advance, disclose this fact. Explain how a *client* may obtain a refund of a pre-paid fee if the advisory contract is terminated

¹ To date the General Partner has not elected to purchase errors and omissions liability insurance.

before the end of the billing period. Explain how you will determine the amount of the refund.

Management Fees are generally paid monthly or quarterly in advance, as of the first day of each calendar quarter, as specified in each Fund's partnership agreement or other governing documents. In the unlikely event that an advisory contract is terminated before the end of the applicable period, a *pro rata* portion of the Management Fee would be returned to the applicable Investors based on the number of days remaining in the quarter.

Investors should refer to the Funds' partnership agreements or other governing documents for more detailed information regarding the treatment of fees in the event of a withdrawal or termination. The information contained herein is a summary only and is qualified in its entirety by such documents.

- E. If you or any of your *supervised persons* accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact and respond to Items 5.E.1, 5.E.2, 5.E.3 and 5.E.4.**

Not applicable.

Item 6 – Performance-Based Fees and Side-by-Side Management

If you or any of your *supervised persons* accepts *performance-based fees* – that is, fees based on a share of capital gains on or capital appreciation of the assets of a *client* (such as a *client* that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your *supervised persons* manage both accounts that are charged a *performance-based fee* and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your *supervised persons* face by managing these accounts at the same time, including that you or your *supervised persons* have an incentive to favor accounts for which you or your *supervised persons* receive a *performance-based fee*, and describe generally how you address these conflicts.

As described in Item 5.A above, BBA (or an affiliate of BBA) may receive performance-based compensation from the Funds. All Funds are subject to performance-based compensation.

The Incentive Allocation may create certain conflicts of interest with respect to BBA's management of the Funds. Specifically, BBA's entitlement to performance-based compensation may create an incentive for BBA to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation.

BBA does not currently manage accounts that are charged only asset-based fees (i.e., fees based simply on the amount of assets under management in an account).

BBA simultaneously manages portfolios for Clients that implement comparable investment strategies (i.e., side-by-side management). The simultaneous management of these separate but similar Funds creates certain conflicts of interest, as fee structures differ from Fund to Fund. Nevertheless, when managing the assets of such Clients, BBA has a fiduciary duty to treat all Clients fairly and equitably and has implemented policies and procedures to ensure that investors are treated fairly, and to prevent this conflict from influencing the allocation of investment opportunities among them. In addition, BBA periodically reviews the portfolios of the Funds (as described in Item 13.A) and BBA has implemented a detailed allocation policy.

Although BBA generally seeks to allocate investment opportunities on a *pro rata* basis based on the size of each Client account, the allocation of an investment opportunity may be adjusted based on relevant circumstances including, without limitation: investment objectives, strategies and restrictions; portfolio and risk management strategies; tax, legal, regulatory and other considerations; asset levels and cash flow considerations; portfolio liquidity; timing and size of capital contributions and redemptions; market conditions; whether certain accounts would receive nominal or *de minimis* allocation amounts; portfolio concentration; participation in prior investments in the same issuer, among others. BBA maintains a record of any exceptions made to its allocation policy.

BBA's investors will include taxable and tax-exempt entities and may include persons or entities organized in multiple jurisdictions. The various types of investors, including the General Partner, may have conflicting investment, tax and other interests with respect to their investment

in the Fund. When considering a potential investment, the General Partner will generally consider the investment objectives of the Fund as a whole, not the investment objectives of any investor individually. Consequently, the General Partner may make decisions from time to time that may be more beneficial to one type of investor than another. For example, such decisions may (directly or indirectly) be more beneficial to investors that are BBA affiliates (such as the General Partner, principals or employees) than to investors unaffiliated with BBA or may be more or less beneficial to investors based on their tax status.

Item 7 – Types of Clients

Describe the types of *clients* to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.

BBA provides investment advisory services to pooled investment vehicles operating as private investment funds.

Investment in these funds is limited to investors that meet the eligibility qualifications of both (i) “accredited investors” within the meaning of Regulation D of the Securities Act of 1933, as amended (“Accredited Investors”) and (ii) “qualified purchasers” within the meaning of Section 2(a)(51) of the Investment Company Act of 1940, as amended. The majority of the investors in the Funds are institutional investors, primarily foundations and endowments.

In general, the minimum initial investment amount in a Fund is \$20,000,000; however, this is subject to the discretion of the General Partner of each Fund, and this discretion may be delegated to the Adviser.

Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss

A. Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that *clients* should be prepared to bear.

BBA is a discretionary asset management firm pursuing a fundamentally-driven approach to life sciences investing. BBA typically takes large, concentrated positions in the securities of life sciences companies with the potential for significant value creation over the long term. BBA's positions may constitute a significant portion of the capital structure of the companies in which it invests and BBA may seek an active dialogue with the management of those companies. BBA does not seek to diversify the Funds' portfolios for the purpose of achieving diversification. Rather, each investment may constitute a significant portion of the assets under management of a Fund. Given its large, concentrated and relatively long-term investment strategy, BBA expects the Funds' returns to be volatile.

BBA's investment team meets at least once a month to discuss existing positions, prospective positions, industry developments, scientific developments and publications, on-going research, overall market themes, and to provide input to BBA's Investment Management and Risk Committee. Significant investment, portfolio positioning and capital allocation decisions are made solely by BBA's Investment and Risk Management Committee, except in the rare and exigent circumstance that no member of the Investment and Risk Management Committee is available to approve a significant investment decision and in the judgment of both a Partner and the President it is urgent that a significant investment decision be made to avoid adverse impact to the Funds, e.g., time-sensitive developments concerning a significant position.

In evaluating securities, the main sources of information used by BBA include, but are not limited to: publicly available filings with the SEC, including annual reports and prospectuses; research materials prepared by third parties; company press releases; statements and presentations of companies and of researchers at industry, medical, and scientific conferences; scientific and medical literature, journals and publicly-disclosed study results, interviews of industry experts, including medical doctors and research scientists; primary research, such as direct surveys; and meetings with corporate management. BBA relies on its investment team of portfolio managers and research analysts, some with scientific and/or medical research training, to generate and evaluate investment ideas subject to the investment decision of its Investment and Risk Management Committee. BBA generates internally all of the analysis that it ultimately relies upon to make investment decisions.

Investors in the Funds should be aware that investing in the Funds involves significant risk of loss of principal, including the risk of loss of the entire amount invested, that they should be prepared to bear. Investments in the Funds are designed only for certain experienced and sophisticated persons who are able to bear the risk of substantial impairment or total loss of their investment in the Funds/Account. There can be no assurance that the Funds' investment objective will be achieved or that BBA's risk management techniques will protect against

loss. An investment in a Fund should be deemed highly speculative and is not intended as a complete investment program.

Investors and prospective Investors should refer to the Funds' limited partnership agreements for more detailed information regarding the Funds and their respective investment strategies. The information contained herein is a summary only and is qualified in its entirety by such documents.

B. For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

BBA has broad discretion in making investments for the Funds and utilizes highly speculative investment techniques. There can be no assurance that BBA will correctly evaluate the nature or magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile. A variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may detrimentally impact businesses in which the Funds invest, affecting their access to capital and public market valuations. These factors and others may significantly affect the results of the Funds' activities and the value of their investments. In addition, the value of the Funds' portfolios may fluctuate in response to fluctuations in the general level of interest rates.

All securities investments risk the loss of capital. No guarantee or representation is made that a Fund will achieve its investment objective or that investors will not lose all or substantially all of their investment in the Fund. Purchases of interests in Funds are suitable only for investors of substantial financial means who can make a long-term investment, can bear the risk of loss of their entire investment in the Fund and have no need for liquidity of their investment.

Each of BBA's strategies has the potential for a Fund's assets to decline in value. The nature of the Funds' investments involves certain risks, and the use of various investment techniques (such as hedging, leverage and short selling) may carry additional risks. Some of the specific risks to which Client assets may be susceptible are as follows:

Concentration of Investments

The Funds may, subject in the case of certain Funds to limitations set forth in such Funds' limited partnership agreements or other governing documents, at certain times hold relatively few investments. Any Fund could be subject to significant losses if it holds a large position in a particular investment that declines in value or is otherwise adversely affected.

Volatility

The market value of the Funds' investments may be volatile, and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including, among other things, the macroeconomic environment, specific developments or trends within a company or in any particular industry, the market's overall perception of risk, the condition of certain financial markets, domestic and international economic or political events, and changes in prevailing interest rates.

Liquidity of Investments

Some Fund investments are illiquid, making it difficult to acquire or dispose of them in substantial size at the prices quoted on the various exchanges. In addition, because BBA may have large positions in the securities of a company, securities regulation and filing requirements may be considerations limiting BBA's trading of those securities. Accordingly, BBA's ability to respond to market movements may be impaired and Clients may experience adverse price movements caused by either lack of liquidity or considerations limiting liquidity in certain investments.

Multiple Funds Actively Managed

The Firm provides advisory services to multiple Funds with the same or similar strategies. As a result, the Funds may be allocated a smaller portion of an investment opportunity than they would receive if they were a "stand-alone" Fund. Additionally, from time to time, a Fund may not be able to participate in a given investment due to investment restrictions applicable to such Fund (or, in certain circumstances, due to investment restrictions applicable to a different Fund, including situations in which two or more Funds trade generally in parallel and one of such Funds is limited or restricted from participating in a given investment due to contractual, legal or regulatory restrictions).

Financial Model Risk

Some of the Funds' significant investments require the use of quantitative and qualitative valuation models developed by BBA. As market dynamics (for example, due to changed market conditions and participants) shift over time, a previously highly successful model may become outdated or inaccurate, perhaps without BBA recognizing the change before significant losses are incurred. In addition, modeling-related risks include, but are not limited to, the risk that a model may be driven by inaccurate inputs or assumptions, that a model may have embedded computational errors, and that a model omits key components or drivers of the future value of a company.

A Fund's model risk extends to the valuation of its investments, some of which will be made on the basis of internal BBA models in the absence of any readily determinable market value. The valuations so determined may differ materially from values that are actually realized. Typically, however, positions for which there is no public market valuation and therefore which are marked to a model are a small portion of the Funds' investments.

Currency Exposure

Interests in Funds are issued and withdrawn in U.S. Dollars. The assets of Funds may, however, be invested in securities and other investments which are denominated in currencies other than U.S. Dollars. Accordingly, the value of such assets may be affected favorably or unfavorably by fluctuations in currency rates. In addition, prospective investors in Funds whose assets and liabilities are predominately in other currencies should take into account the potential risk of loss arising from fluctuations in value between the U.S. Dollar and other currencies.

Short Selling

Certain Funds may engage in short selling. Short selling involves trading on margin and accordingly can involve greater risk than investments based on a long position. A short sale of a security involves the risk of a theoretically unlimited increase in the market price of the security, which could result in an inability to cover the short position and a theoretically unlimited loss. Additionally, there can be no assurance that securities necessary to cover a short position will be available for purchase.

In addition, the Funds may engage in prime broker-sponsored programs that enable the use of short sale proceeds to fund purchases of long positions. The decision of a prime broker to cancel such a program while a Fund was relying upon it could force certain of the Funds to sell long positions or cover short positions at an unfavorable point in time in order to avoid borrowing from the applicable prime broker to cover such positions and thereby incurring unrelated business tax income.

Leverage

Generally, the Funds do not utilize leverage in material amounts. However, certain Funds, as disclosed in such Funds' partnership agreements or other governing documents (and subject to limitations set forth therein), may employ leverage. The use of leverage creates special risks and may significantly increase such Funds' investment risks. Leverage creates an opportunity for greater yield and total return but, at the same time, increases such Funds' exposure to capital risk and interest costs. Any investment income and gains earned on investments made through the use of leverage that are in excess of the interest costs associated therewith may cause the value of interests in the Funds to increase more rapidly than would otherwise be the case. Conversely, where the associated interest costs are greater than such income and gains, the value of the interests in the Funds may decrease more rapidly than would otherwise be the case.

Leverage may also expose a Fund to a greater risk of sales of securities forced by a determination by a credit-provider that a Fund has insufficient assets pledged as collateral against the credit extended. Such sales could be forced, for example, by a credit-provider changing the amount of assets that it requires to be pledged as collateral against the credit extended or the weighting that it gives to a particular category of assets as collateral against credit extended.

Hedging Transactions

While a Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Fund than if it had not engaged in any such hedging transactions. For a variety of reasons, BBA may not seek to establish, for the benefit of a Fund, a perfect correlation between such hedging instruments and the risks being hedged (for example, by hedging a convertible debt exposure through shorts in common equity of an issuer). Such imperfect correlation may prevent the Fund from achieving the intended hedge or expose the Fund to risk of loss.

Counterparty Risk

A Fund is subject to the risk of the inability of any counterparty (including prime brokers) to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes.

New Issue Trading

The Funds may from time to time invest in securities issued in initial public offerings (“New Issues”). Investing in New Issues poses unique risks arising out of their transient illiquidity, lack of trading history and concentration of ownership. In the event that BBA elects to trade New Issues on behalf of Clients, Investors that are restricted persons under applicable FINRA rules may not be permitted to participate or participate fully in the returns generated by those trades.

It is critical that Investors and prospective Investors refer to the partnership agreement and other governing documents of the applicable Fund for a complete understanding of the material risks involved in relation to BBA’s investment strategies and methods of analysis. The information contained herein is a summary only and is qualified in its entirety by such documents.

C. If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.

Investments in the securities of life sciences, biotechnology, diagnostic and other health care related companies or in related assets involve a high degree of business, financial, technological and regulatory risk which can result in substantial losses. Some of these risks relate to the underlying biotechnology assets themselves, and others to the companies that manufacture or market these products, their distribution, competition and in some cases partners in manufacturing or distribution.

These risks include, but are not limited to, the following:

- (i) certain companies that manufacture and/or market the products may have limited operating histories, making it difficult to assess the potential effectiveness of a company’s management, and thus the likelihood of the products’ commercial success;

- (ii) certain companies may not have sufficient management or marketing personnel with appropriate scientific or medical training in order to adequately produce or market these products, which may slow or impede the revenue stream generated by the product;
- (iii) the prices at which these securities in the company or its related assets will be acquired by a Fund will often be based, in part, on sales projections with respect to the underlying biotechnology products, which projections may prove to be inaccurate;
- (iv) to the extent that a Fund makes an investment in a company that is dependent on a product that has not yet received all applicable governmental approvals, there is a risk that the product will not obtain such approvals and that the product will not be able to be sold to consumers, as obtaining such approvals can often be a lengthy and expensive process the outcome of which can be uncertain;
- (v) even if all applicable governmental approvals are obtained with respect to such a product, previously unknown or undisclosed side-effects or complications relating to the product may be disclosed, resulting in a loss of market acceptance or a withdrawal of previously-granted approvals, thereby reducing or eliminating the revenue stream supporting the securities or other assets held by a Fund;
- (vi) certain of these companies may become involved in lawsuits with respect to these products, or with respect to intellectual property rights or other rights relating to them, which lawsuits may result in an inability to market these products or may otherwise impair the related revenue stream;
- (vii) in the case of any direct investments in biotechnology assets, BBA may not be successful in structuring these investments in a way that shields a Fund from liability in the event of lawsuits relating to any products or rights in which a Fund has a direct or indirect interest, thereby potentially resulting in the applicable Fund bearing such liabilities and, in such event, such Fund may suffer potentially significant losses beyond its investment;
- (viii) the prices at which these investments will be made by a Fund may be based, in part, on assumptions that a limited number of other products will compete with the relevant underlying products in the markets in which they are sold, or that the underlying products will otherwise command a pricing premium in these markets, which assumptions may prove to be inaccurate;
- (ix) some of the underlying products that drive value of a company or other asset may become obsolete;
- (x) some of the licensing agreements or other rights relating to the investments held by a Fund may be terminated;
- (xi) certain of the companies in which a Fund has invested may also experience adverse impact from: (1) unanticipated delays in research and development efforts; (2) previous preclinical testing or clinical trial results that ultimately are not indicative of

- future clinical trial results; (3) errors in the conduct of clinical trials; (4) adverse safety findings regarding drugs; (5) clinical trial results that do not support submission of a marketing approval application for drug product candidates; (6) reliance on third party manufacturers, collaborators, and clinical research organizations who may fail to perform according to agreed specifications; (7) inability to control the development of out-licensed drug compounds or drug candidates; (8) inability of collaborators' to develop and commercialize product candidates; (9) costs associated with prosecuting, maintaining, defending and enforcing patent claims and other intellectual property rights; (10) inability to maintain or obtain adequate product liability and other insurance coverage; (11) adverse impact of technological advances and competition; (12) inability to compete against third parties with greater resources; (13) changes in pricing and reimbursements in the markets in which they compete; (14) stronger than expected competition to develop and commercialize similar drug products; (15) inability to obtain patent protection for discoveries; (16) inability to in-license potential drug compounds or drug candidates or other technology; (17) excessive leverage; limitations on their ability to incur additional indebtedness and incur liens on their assets restricting their ability to obtain additional capital when needed; (18) cost of goods sold remaining high enough that it is difficult to achieve profitability; (19) third-party payors for drugs or diagnostics rescinding or modifying their contracts or reimbursement policies or delaying payments; (20) inability to expand as expected outside the United States; (21) failure to receive reimbursement for a drug or diagnostic under changing Medicare rules; (22) failure of physicians to prescribe a drug or diagnostic to the extent anticipated; (23) inability to obtain inputs necessary to the manufacture of a drug or diagnostic at the anticipated cost; (24) failure of information technology and telecommunications systems that are critical to their business; (25) failure to appropriately handle or dispose of biological and hazardous materials; misplaced reliance on third-party distributors; (26) difficulties in integrating legacy companies from a merger or acquisition; and, (27) inability to recruit talented personnel, including scientists;
- (xi) government policies and regulations applicable to certain of these companies or their products may change in ways that adversely affect the companies or their products' marketability and, thus, the revenue streams generated by the related assets held by a Fund; and
 - (xii) investor sentiments and preferences with regard to life sciences sector investments (some of which are generally perceived as risky) may change, which may have an adverse effect on the values of the securities held by a Fund in such companies.

Equity Securities

BBA invests Client assets in equity securities, and expects to hold both long and, in the case of certain Funds, short positions in such securities. Such investments will be subordinate to the claims of an issuer's creditors and, to the extent such securities are common securities, preferred stockholders. Dividends customarily paid to equity holders can be suspended or

cancelled at any time. For the foregoing reasons, investments in equity securities can be highly speculative and carry a substantial risk of loss of principal.

Debt Securities

BBA may invest Client assets in unrated or low grade debt securities which are subject to greater risk of loss of principal and interest than higher-rated debt securities. BBA may invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. BBA may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. Lower or unrated securities are more likely to react to developments affecting market and credit risk than are more highly rated securities, which primarily react to movements in the general level of interest rates. Investors should be aware that ratings are relative and subjective and are not absolute standards of quality. Subsequent to its purchase by a Client, an issue of securities may cease to be rated or its rating may be reduced. Neither event will require sale of such securities by the Client, although BBA will consider such event in its determination of whether the Client should continue to hold the securities.

The market value of securities in lower-rated categories is more volatile than that of higher quality securities. In addition, Clients may have difficulty disposing of certain of these securities because there may be a thin trading market. The lack of a liquid secondary market for certain securities may have an adverse impact on a Client's ability to dispose of such securities and may make it more difficult for a Client to obtain accurate market quotations for purposes of valuing such Client and calculating the value of its net assets.

Convertible Securities

A Fund may, subject in the case of certain Funds to limitations set forth in such Funds' limited partnership agreements or other governing documents, invest in convertible securities. Convertible securities provide higher yields than the underlying equity securities, but generally offer lower yields than non-convertible securities of similar quality. The value of convertible securities fluctuates, as do bonds, in relation to changes in interest rates and, in addition, fluctuates in relation to the underlying common stock. A Fund's investments in fixed income obligations, including convertibles securities, are subject to the risk of an issuer's ability to meet principal and interest payments on the obligation (credit risk), and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (market risk).

Foreign Securities

Funds may, subject in the case of certain Funds to limitations set forth in such Funds' limited partnership agreements or other governing documents, invest in securities and other instruments of foreign corporations and foreign countries. Investing in such securities involves certain considerations not usually associated with investing in securities of U.S. companies or the U.S. government, including, among other things: political and economic considerations, such as greater risks of expropriation, nationalization and general social,

political and economic instability; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; imposition of withholdings and other taxes; and certain government policies that may restrict the Fund's investment opportunities. In addition, accounting and financial reporting standards that prevail in many foreign countries are not equivalent to U.S. standards and, consequently, less information may be available to investors in companies located in foreign countries than is available to investors in companies located in the U.S. There is also less regulation, generally, of the securities markets in many foreign countries than in the U.S.

Asset-Backed Securities and Royalty Streams

Funds may invest in asset-backed securities, including securities backed by royalty streams on drugs under development or already commercialized. These securities may be in the form of pass-through instruments or asset-backed obligations. The securities generally carry no direct or indirect government guarantee, and are subject to the risks that the benefit of a security interest in the related collateral may be subject to legal challenge.

Derivatives

Funds may invest in derivative financial instruments. Derivative financial instruments include warrants, futures, options, interest rate and equity swaps, total return swaps, forward currency contracts and credit derivatives such as credit default swaps. In addition, Funds may from time to time utilize both exchange-traded and over-the-counter futures, options and contracts, as part of their investment strategy and for hedging purposes, as well as other derivatives. Regulatory restraints may restrict the instruments that a Fund may trade. Such derivative instruments are highly volatile, involve certain special risks and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further losses exceeding any margin deposited. Further, when used for hedging purposes there may be an imperfect correlation between these instruments and the investments or market sectors being hedged.

Although BBA does not currently engage in significant trading of over-the-counter derivatives, such trading, to the extent engaged in, would subject a Fund to a variety of risks including: (i) counterparty risk, (ii) basis risk, (iii) interest rate risk, (iv) settlement risk, (v) legal risk, and (vi) operational risk. Counterparty risk is the risk that one of a Fund's counterparties might default on its obligation to pay or perform generally on its obligations. Basis risk is the risk that the normal relationship between two prices might move in opposite directions. Interest rate risk is the general risk associated with movements in interest rates. Settlement risk is the risk that a settlement in a transfer system does not take place as expected. Legal risk is the risk that a transaction proves unenforceable in law or because it has been inadequately documented. Operational risk is the risk of unexpected losses arising from deficiencies in a firm's management information, support and control systems and

procedures. Transactions in over-the-counter derivatives may involve other risks as well, as there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk.

Options

A Fund may, subject in the case of certain Funds to limitations set forth in such Funds' limited partnership agreements or other governing documents, engage in the trading of options. Such trading involves risks substantially similar to those involved in trading margined securities in that options are speculative and highly leveraged. Specific market movements of the securities underlying an option cannot accurately be predicted. The purchaser of an option is subject to the risk of losing the entire purchase price of the option. The writer of an option is subject to the risk of loss resulting from the difference between the premium received for the option and the price of the security underlying the option which the writer must purchase or deliver upon exercise of the option.

Call Options

A Client may, subject in the case of certain Funds to limitations set forth in such Funds' limited partnership agreements or other governing documents, engage in the use of call options. There are risks associated with the sale and purchase of call options. The seller (writer) of a call option that is covered (i.e., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option. However, if the buyer of the call sells short the underlying security, the loss on the call will be offset in whole or in part by any gain on the short sale of the underlying security.

Put Options

A Client may, subject in the case of certain Funds to limitations set forth in such Funds' limited partnership agreements or other governing documents, engage in the use of put options. There are risks associated with the sale and purchase of put options. The seller (writer) of a put option that is covered (i.e., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the short position for values of the underlying security below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option.

The buyer of a put option assumes the risk of losing its entire investment in the put option. However, if the buyer of the put holds the underlying security, the loss on the put will be offset in whole or in part by any gain on the underlying security.

Small Companies

BBA's strategy includes significant investments in small companies. While smaller companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification, and competitive strength of larger companies. In addition, in many instances, the frequency and volume of trading in such companies' securities may be substantially less than is typical of larger companies. As a result, investments in smaller companies may be subject to wider price fluctuations.

Illiquid Investments

The Funds may, subject in the case of certain Funds to limitations set forth in such Funds' limited partnership agreements or other governing documents, acquire the securities of privately-held companies or other illiquid investments. Such investments are generally difficult to dispose of quickly. In addition, investments that were once liquid may become illiquid, making it difficult to acquire or dispose of them at the prices quoted on the various exchanges. In that event, BBA's ability to respond to market movements may be impaired and the Funds may experience adverse price movements.

A Fund's participation in such illiquid investments may significantly restrict the ability of an Investor to make withdrawals. An Investor may be required to continue to participate in such investments irrespective of whether such Investor has withdrawn the balance of its capital accounts available for withdrawal, and the Client may be required to hold such investments indefinitely, even if such investments become completely illiquid or unprofitable. Venture Capital Investments

Funds may, subject in the case of certain Funds to limitations set forth in such Funds' limited partnership agreements or other governing documents, make venture capital investments. Such investments involve a high degree of business and financial risk that can result in substantial losses. The most significant risks are the risks associated with investments in: (i) companies in an early stage of development or with little or no operating history; (ii) companies operating at a loss or with substantial fluctuations in operating results from period to period; and (iii) companies with the need for substantial additional capital to support or to achieve a competitive position.

Such private investments will generally be separately accounted for in their respective Funds and only existing limited partners at the time of such investments will be allocated gains or debited losses associated with such investments (which may result in certain limited partners being indirectly invested to a greater degree in such private investments than other limited partners in the same Funds).

Control Positions

Certain Funds may in limited circumstances take control positions in companies. The exercise of control over an issuer imposes risks of liability for environmental damage, product defects, failure to supervise management and other types of related liability. If such liabilities were to occur, the applicable Fund likely would suffer losses in such investments.

In addition, the Funds will take some positions that exceed 10% of the voting shares of a company or in which employees of BBA serve on the Board of Directors of the company or in which the market value of the Fund's position in the company exceeds certain thresholds required for notice under the Hart-Scott-Rodino ("HSR") Act premerger notification program. In some cases these positions may be in private companies. As a result of such positions, the Funds are subject to various U.S. and non-U.S. regulatory and legal requirements which may limit the Funds' ability to transact in the securities of the issuing company.

Special Purchase Acquisition Companies

A Fund may, in limited circumstances and subject in the case of certain Funds to limitations set forth in such Funds' limited partnership agreements or other governing documents, invest in the securities of a special purpose acquisition company ("SPAC"). SPACs are companies that have no operations, but intend to merge with, acquire or otherwise invest in another company. Investing in such securities involves considerations not usually associated with investing in securities of other types of companies, including, among other risks, the risk that a SPAC may not complete an investment in another company and be forced to liquidate its assets at a loss to the Funds.

Custody, and Prime Brokerage Risk

There are risks involved in dealing with the custodians or prime brokers who settle Clients' trades.

A Client's cash and securities held by prime brokers may be used by a prime broker in the course of its investment business, and the Client will therefore rank as one of such prime broker's unsecured creditors in relation thereto or in relation to the Client's right to the return of equivalent assets. In the event of an insolvency of such prime broker, the Client might not be able to recover such equivalent assets in full.

Although BBA monitors the prime brokers and believes that they are appropriate custodians, there is no guarantee that the prime brokers or any other custodian that a Fund may use from time to time, will not become bankrupt or insolvent. While both the U.S. Bankruptcy Code and the Securities Investor Protection Act of 1970 seek to protect customer property in the event of a bankruptcy, insolvency, failure, or liquidation of a broker-dealer, it is likely that, in the event of a failure of a broker-dealer that has custody of a Fund's assets, such Fund would incur losses due to its assets being unavailable for a period of time, the ultimate receipt of less than full recovery of its assets, or both.

A Client and/or any of the prime brokers may appoint sub-custodians in certain non-U.S. jurisdictions to hold the assets of the Client. The prime brokers may not be responsible for cash or assets which are held by sub-custodians in certain non-U.S. jurisdictions, nor for any losses suffered by a Fund as a result of the bankruptcy or insolvency of any such sub-custodian. A Fund may therefore have a potential exposure on the default of any sub-custodian and, as a result, many of the protections that would normally be provided to a client by a custodian may not be available to the Client. Under certain circumstances, including certain transactions where a Fund's assets are pledged as collateral for leverage from a non-broker-dealer custodian or a non-broker-dealer affiliate of the prime broker, or where a Fund's assets are held at a transfer agent or non-U.S. custodian, the securities and other assets deposited with the custodian or broker may not be clearly identified as being assets of the Client and hence the Client could be exposed to a credit risk with regard to such parties.

Custody services in certain non-U.S. jurisdictions remain undeveloped and, accordingly, there is a transaction and custody risk of dealing in certain non-U.S. jurisdictions. Given the undeveloped state of regulations on custodial activities and bankruptcy, insolvency, or mismanagement in certain non-U.S. jurisdictions, the ability of a Fund to recover assets held by a sub-custodian in the event of the sub-custodian's bankruptcy or insolvency could be in doubt, as the Client may be subject to significantly less favorable laws than many of the protections that would be available under U.S. laws. In addition, there may be practical or time problems associated with enforcing a Fund's rights to its assets in the case of a bankruptcy or insolvency of any such party.

Securities Lending

Some of the securities held by a Fund may be pledged as collateral for margin accounts, which subjects that Fund to the risk of sales of securities forced by a determination by a credit-provider that such Fund has insufficient assets pledged as collateral against the credit extended. A Fund also may engage in programs of securities lending. To the extent a Fund engages in securities lending, there may be risks of delay and costs involved in the recovery of securities or even losses should the borrower of the securities have financial difficulty or otherwise fail to meet its obligations under the securities lending arrangement.

While a Fund is expected to receive collateral in connection with the lending of securities, there is the risk that the price of the securities could increase while they are on loan and that the collateral will be inadequate to cover their value. In general, it is expected that a Fund's securities lending agents will seek to consider all relevant facts and circumstances, including the creditworthiness of the broker, dealer or other borrower, in making decisions with respect to the lending of securities, although this cannot be assured.

Investments in Troubled or Highly Leveraged Companies

Funds may invest in securities of financially troubled companies or companies involved in work-outs, liquidations, reorganizations, bankruptcies and similar transactions and securities of highly leveraged companies. While these investments may offer the potential for high returns, they also carry correspondingly greater risks. Under certain circumstances, payments

to a Fund from an investment may be reclaimed if any such payment is later determined in a bankruptcy proceeding to have been a preferential payment.

Unrated or Low-Grade Debt Securities

A Fund may invest in unrated or low grade debt securities which are subject to greater risk of loss of principal and interest than higher-rated debt securities. A Fund may also invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. A Fund may also invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness. Lower or unrated securities are more likely to react to developments affecting market and credit risk than are more highly rated securities, which primarily react to movements in the general level of interest rates. Investors should be aware that ratings are relative and subjective and are not absolute standards of quality. Subsequent to its purchase by a Fund, an issue of securities may cease to be rated or its rating may be reduced. Neither event will require sale of such securities by the applicable Fund, although BBA may consider such event in its determination of whether a Fund should continue to hold the securities. The market value of securities in lower-rated categories is more volatile than that of higher quality securities. In addition, a Fund may have difficulty disposing of certain of these securities because there may be a thin trading market.

Distressed Investments

Certain Clients may invest in distressed companies. Distressed investments generally entail greater risks due to such things as sensitivity to general economic and capital market conditions, interest rates, risks associated with leveraged companies and risks inherent in investing in companies experiencing financial and operating distress (e.g., issuer credit risk). Distressed investments generally have very low credit ratings or are unrated by credit rating agencies.

Accounting Standards

Subject in the case of certain Funds to limitations set forth in such Funds' limited partnership agreements or other governing documents, some Funds may invest in securities issued by companies located in countries where generally accepted accounting standards and practices differ significantly from those practiced in the United States. The evaluation of potential investments and the ability to perform due diligence may be affected. The financial information appearing on the financial statements of a company operating in one or more countries outside the United States may not reflect its financial position or results of operations in the way that they would be reflected if the financial statements had been prepared in accordance with U.S. Generally Accepted Accounting Principles.

Item 9 – Disciplinary Information

If there are legal or disciplinary events that are material to a *client's* or prospective *client's* evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.

There have been no legal or disciplinary events involving either BBA or any of its management persons that would be material to a client's or prospective client's evaluation of BBA's advisory business or the integrity of BBA's management.

A. A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which your firm or a management person

1. was convicted of, or pled guilty or nolo contendere ("no contest") to(a) any *felony*; (b) a *misdemeanor* that *involved* investments or an *investment-related* business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;
2. is the named subject of a pending criminal *proceeding* that involves an *investment-related* business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;
3. was *found* to have been *involved* in a violation of an *investment-related* statute or regulation; or
4. was the subject of any *order*, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, your firm or a *management person* from engaging in any *investment-related* activity, or from violating any *investment-related* statute, rule, or *order*.

None.

B. An administrative *proceeding* before the SEC, any other federal regulatory agency, any state regulatory agency, or any *foreign financial regulatory authority* in which your firm or a *management person*

1. was *found* to have caused an *investment-related* business to lose its authorization to do business; or
2. was *found* to have been *involved* in a violation of an *investment-related* statute or regulation and was the subject of an *order* by the agency or authority

- a. denying, suspending, or revoking the authorization of your firm or a *management person* to act in an *investment-related* business;
- b. barring or suspending your firm's or a *management person's* association with an *investment-related* business;
- c. otherwise significantly limiting your firm's or a *management person's* *investment-related* activities; or
- d. imposing a civil money penalty of more than \$2,500 on your firm or a *management person*.

None.

C. A self-regulatory organization (SRO) proceeding in which your firm or a management person

1. was *found* to have caused an *investment-related* business to lose its authorization to do business; or
2. was *found* to have been *involved* in a violation of the *SRO's* rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from *investment-related* activities; or (iii) fined more than \$2,500.

None.

Item 10 – Other Financial Industry Activities and Affiliations

- A. If you or any of your *management persons* are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.**

Not applicable.

- B. If you or any of your *management persons* are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities, disclose this fact.**

Not applicable.

- C. Describe any relationship or arrangement that is material to your advisory business or to your *clients* that you or any of your *management persons* have with any *related person* listed below. Identify the *related person* and if the relationship or arrangement creates a material conflict of interest with *clients*, describe the nature of the conflict and how you address it.**

- 1. broker-dealer, municipal securities dealer, or government securities dealer or broker**
- 2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)**
- 3. other investment adviser or financial planner**
- 4. futures commission merchant, commodity pool operator, or commodity trading advisor**
- 5. banking or thrift institution**
- 6. accountant or accounting firm**
- 7. lawyer or law firm**
- 8. insurance company or agency**
- 9. pension consultant**
- 10. real estate broker or dealer**
- 11. sponsor or syndicator of limited partnerships.**

BBA serves as the investment manager to the Funds.

As previously noted in Item 4.A above, the Relying Advisers, which are affiliates of BBA, serve as the general partners of the Funds.

The General Partners, BBA and their affiliates may have conflicts of interest in allocating their time, services and functions among the Funds and other business ventures. In an effort

to minimize potential conflicts of interest, BBA has adopted a Code of Ethics that requires BBA's employees to act in the best interests of the Clients at all times.

- D. If you recommend or select other investment advisers for your *clients* and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.**

Not applicable.

Item 11

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

- A. If you are an SEC-registered adviser, briefly describe your code of ethics adopted pursuant to SEC rule 204A-1 or similar state rules. Explain that you will provide a copy of your code of ethics to any *client* or prospective *client* upon request.**

BBA has adopted a Code of Ethics (the “Code”), which is designed to meet the requirements of Rule 204A-1 of the Investment Advisers Act of 1940 (the “Advisers Act”). The Code applies to all of BBA’s employees and sets forth a standard of business conduct that takes into account BBA’s status as a fiduciary. The Code describes the Firm’s fiduciary duties and responsibilities to its Clients, requires that the Firm’s employees act in the best interests of Clients to the exclusion of contrary interests, act in good faith and in an ethical manner, avoid conflicts of interest with Clients to the extent reasonably possible, and identify and manage conflicts of interest to the extent that they arise. BBA’s employees are also required to comply with applicable provisions of the federal securities laws and make prompt reports to the Firm or other appropriate party of any actual or suspected violations of such laws or of the Code by BBA or its employees.

The Code also contains BBA’s insider trading policies and procedures, which are designed to prevent the misuse of material non-public information by BBA and its officers, directors and employees. In accordance with these policies, to prevent trading of public securities based on material, non-public information, BBA maintains, regularly updates and makes available to its employees a “restricted” securities list. Public companies about which BBA has or is expected to have, material, non-public information are generally placed on the restricted list. While an issuer is on the restricted list, BBA and each person subject to the insider trading policy is prohibited from purchasing, selling or recommending the purchase or sale of that issuer’s securities in personal accounts and Fund accounts.

In addition, BBA’s employees must provide BBA’s Chief Compliance Officer with reporting as to their personal accounts and securities transactions.

The Code also includes a requirement that employees pre-clear certain charitable contributions. BBA, our employees and charitable foundations operated by certain of our employees may make donations to charitable organizations. Some of these donations may be to organizations that are investors in the Funds that we advise.

The Code also seeks to ensure the protection of non-public information about the activities of the Funds.

All of BBA’s employees are provided with a copy of the Code and are required to acknowledge receipt of the Code on at least an annual basis.

Investors may obtain a copy of BBA’s Code upon request to Scott Lessing, President, Baker Bros. Advisors, 667 Madison Ave., New York, NY 10065.

- B. If you or a *related person* recommends to *clients*, or buys or sells for *client* accounts, securities in which you or a *related person* has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.**

Examples: (1) You or a *related person*, as principal, buys securities from (or sells securities to) your *clients*; (2) you or a *related person* acts as general partner in a partnership in which you solicit *client* investments; or (3) you or a *related person* acts as an investment adviser to an investment company that you recommend to *clients*.

From time to time, consistent with the Funds' governing documents and applicable law, BBA may recommend that one or more Funds acquire or sell an investment in which BBA or a BBA employee has a pre-existing direct or indirect interest. A potential conflict of interest could arise in that BBA or the interested employee could benefit from such a purchase or sale of the applicable investment by such Fund(s). However, the Code is designed to identify and manage conflicts of interest to the extent they arise in connection with such transactions, and to ensure that BBA fulfills its role as a fiduciary to its Clients.

BBA may cause a Client to buy or sell securities directly from or to another Client, although such internal cross transactions occur infrequently. With respect to any such transaction: (i) the transaction must be effected at a price that is fair to clients on both sides of the trade; (ii) neither BBA nor any of its affiliates may receive any compensation for effecting the trade; and (iii) the trade must be in the best interests of both Clients.

The fact that BBA's related persons, in their capacities as general partners of certain Clients (or equity owners of such general partners), have financial interests in Clients creates a potential conflict in that it could cause BBA to make different investment decisions than if such parties did not have such financial ownership interests. In particular, performance-based compensation may create an incentive for BBA to make investment decisions that may differ from decisions that may be made in the absence of such performance-based compensation, including decisions that are riskier or less risky than would be made in the absence of such performance-based compensation. BBA manages this potential conflict through regular monitoring of the Client portfolios to ensure consistency with Client objectives and disclosures, as more fully set forth in Item 13.A below.

BBA recognizes such potential conflicts of interest and addresses them through its Allocation and Aggregation policies, which can be found in its compliance manual. Further, the Code sets forth a fiduciary standard that requires Access Persons to act in the best interests of the Clients. Access Persons are required to acknowledge receipt of the Code and agree to abide by its terms.

- C. If you or a *related person* invests in the same securities (or related securities, *e.g.*, warrants, options or futures) that you or a *related person* recommends to *clients*, describe your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.**

BBA employees are permitted to make securities transactions in their personal accounts but are generally prohibited from trading in securities that the Firm is actively trading on behalf of the Funds, subject to exceptions when in the judgment of the Firm's Chief Compliance Officer such personal trading would in no way take (or create the appearance of taking) an opportunity away from a Client, nor create any incentives that might distort the employee's judgment in the performance of his duties on behalf of Clients, nor be in actual or perceived conflict with the direction in which any applicable Client is trading, nor personally benefit a BBA employee based on non-public knowledge of BBA's future trading activity (even if not taking away an opportunity from a Client).

In addition, BBA employees may, under certain circumstances, be permitted to trade alongside a Fund, provided that such trades are executed in the same direction as such Fund's trade, for a price that is no better than the price received by the Fund, and that no adverse consequences or loss of opportunity for the Fund can be construed from such trade. Any such trade must be approved by the Chief Compliance Officer prior to execution, or, if the Chief Compliance Officer is making the request, by another senior BBA officer.

Personal securities trading by BBA employees presents potential conflicts in that an employee could make improper use of information regarding a Client's holdings or future transactions or research paid for by the Clients. BBA addresses this potential conflict by adhering to the policies set forth in the Code and elsewhere in its compliance manual, including those described below.

Employees must receive pre-clearance from the Firm's Chief Compliance Officer (typically at least five days in advance) prior to any securities transaction in a company whose predominant business is health care. BBA also generally requires a minimum 60-day holding period for any securities whose predominant business is health care acquired by an employee, subject to exceptions under certain circumstances. BBA monitors adherence to the personal trading policy by regularly reviewing the activity in employee trading accounts. BBA cross-checks the personal account statements with the approved trades list to ensure that all executed trades in single names in health care were pre-approved. To help facilitate this review and abide by applicable law, employees must arrange to have duplicates of certain brokerage statements and trade confirmations provided to the Firm.

BBA's Code of Ethics also maintains policies and procedures to prevent insider trading that are designed to prevent the misuse of material, non-public information. BBA's personnel are required to certify annually their compliance with the Code of Ethics.

- D. If you or a *related person* recommends securities to *clients*, or buys or sells securities for *client* accounts, at or about the same time that you or a *related person* buys or sells the same securities for your own (or the *related person's* own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.**

Please refer to Items 11.A, 11.B, and 11.C above.

Item 12 – Brokerage Practices

A. Describe the factors that you consider in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (e.g., commissions).

1. Research and Other Soft Dollar Benefits. If you receive research or other products or services other than execution from a broker-dealer or a third party in connection with *client* securities transactions (“soft dollar benefits”), disclose your practices and discuss the conflicts of interest they create.

- a. Explain that when you use *client* brokerage commissions (or markups or markdowns) to obtain research or other products or services, you receive a benefit because you do not have to produce or pay for the research, products or services.**
- b. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving the research or other products or services, rather than on your *clients*’ interest in receiving most favorable execution.**
- c. If you may cause *clients* to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), disclose this fact.**
- d. Disclose whether you use soft dollar benefits to service all of your *clients*’ accounts or only those that paid for the benefits. Disclose whether you seek to allocate soft dollar benefits to *client* accounts proportionately to the soft dollar credits the accounts generate.**
- e. Describe the types of products and services you or any of your *related persons* acquired with *client* brokerage commissions (or markups or markdowns) within your last fiscal year.**
- f. Explain the procedures you used during your last fiscal year to direct client transactions to a particular broker-dealer in return for soft dollar benefits you received.**

BBA has authority for selecting the broker-dealer used in each transaction for Clients and for negotiating the fees to be paid to the broker-dealer in connection with such transactions. BBA will make a good faith determination that the amount of commissions paid is reasonable in light of the products or services provided by a broker. Commission rates are generally negotiable and thus, selecting brokers on the basis of considerations that are not limited to the applicable commission rates may result in higher transaction costs than would otherwise be obtainable. In choosing brokers and dealers, BBA is not required to consider any particular criteria. Generally, BBA seeks the best combination of brokerage expenses and execution quality but, as discussed below, BBA is not required to solicit competitive bids for execution services or to select the broker or dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers.

In evaluating “execution quality,” historical net prices (after markups, markdowns or other transaction related compensation) on other transactions is a principal factor, but other factors are also relevant, including: the execution, clearance, and settlement and error correction capabilities of the broker or dealer generally and in connection with securities of the type and in the amounts to be bought or sold; the broker’s or dealer’s willingness to commit capital; reliability, responsiveness and financial stability of the broker dealer; the size of the transaction; availability of securities to borrow for short sales; ability to execute transactions in liquid and illiquid markets at competitive prices without disrupting the market for a particular security, range of services provided and products offered (including research and brokerage services), quality and timeliness of market information provided, ability to maintain confidentiality, creditworthiness and financial responsibility and the market for the security.

In addition to execution quality, BBA may consider whether a broker or dealer may assist in arranging the opportunity to meet with the management of companies in which BBA has invested or is considering investing on behalf of the Funds, or to third-party medical or scientific experts and research services provided by the broker or dealer. Funds may pay commissions or spreads to such firms in an amount greater than the amount another firm might charge.

In addition to execution quality and access to management, BBA may consider the value of various research products or services that a broker-dealer provides to Clients or BBA. Selecting a broker-dealer in recognition of such other services or products is known as paying for those services or products with “soft dollars.” Because such research products or services could benefit BBA or its affiliates, BBA may have a conflict of interest in allocating Client brokerage business. BBA currently maintains one formalized “soft dollar” arrangement with a broker-dealer, who manages soft dollars for BBA, which BBA then uses exclusively for the Funds’ benefit to pay for research services. BBA’s use of “soft dollars” is within the parameters of Section 28(e) of the Securities Exchange Act of 1934 and any “soft dollar” products will generally be shared proportionally by all Clients.²

On a quarterly basis, BBA’s Trading Committee, including the Chief Compliance Officer, review the quality of BBA’s execution and the effectiveness of its order execution arrangements and execution policy. Such reviews include a thorough analysis of the services provided by each broker-dealer.

From time to time trade errors may occur with respect to transactions made on behalf of Funds. The Funds bear the costs of correcting these trade errors unless they are attributable to gross negligence of BBA or its employees.

2. Brokerage for *Client* Referrals. If you consider, in selecting or recommending broker-dealers, whether you or a *related person* receives *client* referrals from a

² An immaterial amount of soft dollar payments may on occasion be used to pay for “non-research” services, in which case the Funds are directly reimbursed for those payments.

broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.

BBA does not utilize any broker-dealers or third parties to solicit client referrals.

3. Directed Brokerage.

BBA does not have any directed brokerage arrangements.

B. Discuss whether and under what conditions you aggregate the purchase or sale of securities for various *client* accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to *clients* of not aggregating.

Upon a determination to buy or sell the same security on behalf of more than one Client (based upon the investment mandates of such Clients), BBA will generally aggregate trades, subject to best execution and BBA's guidelines with respect to which broker-dealers may be utilized. BBA believes that aggregating orders generally leads to a more favorable price for Clients. BBA seeks to aggregate orders and allocate investment opportunities in a manner which is in the best interest of all Clients. BBA owes each Client a duty of loyalty and a duty to act in the Client's best interest. Accordingly, under no circumstances will BBA unfairly favor one Client over another. However, although BBA generally seeks to allocate investment opportunities on a *pro rata* basis based on the size of each Client account, the allocation of an investment opportunity may be adjusted based on relevant circumstances. BBA is not obligated to purchase or sell for each Client every security which it may purchase or sell for other Clients, as some transactions or investments may appear unsuitable, impractical or undesirable for a Client. In addition, certain securities are not permitted to be purchased or held by certain Clients. Accordingly, there are situations where investment opportunities are allocated on a basis other than *pro rata* among all Clients based upon assets under management.

Allocations may be made on a basis other than *pro rata* based upon assets under management for a variety of other factors relating to a given Fund or Funds, including, without limitation: the investment objectives, strategies and restrictions; portfolio and risk management strategies; tax, legal, regulatory and other considerations; asset levels and cash flow considerations; portfolio liquidity; timing and size of capital contributions and redemptions; market conditions; whether certain accounts would receive nominal or *de minimus* allocation amounts; portfolio concentration; participation in prior investments in the same issuer, and liquidity considerations, among others.

BBA has implemented additional controls to further its efforts to treat all Clients fairly, regardless of their corresponding fee-structure. In particular, BBA periodically reviews its trade allocations and maintains a record of all exceptions to allocations made based on its allocation models.

Notwithstanding any of the foregoing, BBA, to the extent within its control, will act in a manner that it believes over the long term is fair and equitable to all of its Clients.

Item 13 – Review of Accounts

- A. Indicate whether you periodically review *client* accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the *supervised persons* who conduct the review.**

BBA's Investment and Risk Management Committee (currently comprised of BBA's Managing Members) meets at least quarterly to review the portfolio status and activity of the Funds and to consider whether the portfolio should change investments and capital allocation based on various factors, which may include, but are not limited to, changes in company fundamentals, key industry personnel, scientific and medical developments, news and press releases, general market conditions and assessment of the financial consequences of particular events derived from general information or such other material as is appropriate under the particular circumstances. BBA's Trading and Operations Committee (currently comprised of BBA's President and CCO, Trader, and CFO) meets at least monthly to ensure that the portfolios of each Fund are consistent with applicable investment objectives and restrictions. BBA's investment team meets at least monthly to discuss existing portfolio positions, prospective portfolio positions, industry developments, scientific developments, overall market themes, and to provide input to BBA's Investment Management and Risk Committee.

- B. If you review *client* accounts on other than a periodic basis, describe the factors that trigger a review.**

Please see Item 13.A.

- C. Describe the content and indicate the frequency of regular reports you provide to *clients* regarding their accounts. State whether these reports are written.**

Investors in the Funds generally receive unaudited monthly or quarterly written reports describing the performance of such Funds and annual reports containing audited financial statements and other indicia of performance.

Item 14 – Client Referrals and other Compensation

- A. If someone who is not a *client* provides an economic benefit to you for providing investment advice or other advisory services to your *clients*, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.**

Not applicable.

- B. If you or a *related person* directly or indirectly compensates any *person* who is not your *supervised person* for *client* referrals, describe the arrangement and the compensation.**

Not applicable.

Item 15 – Custody

If you have *custody* of *client* funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your *clients*, explain that *clients* will receive account statements from the broker-dealer, bank or other qualified custodian and that *clients* should carefully review those statements. If your *clients* also receive account statements from you, your explanation must include a statement urging *clients* to compare the account statements they receive from the qualified custodian with those they receive from you.

BBA and the General Partners are deemed to have custody of the assets of the Funds, by virtue of their status as investment manager or general partner, respectively, under Rule 206(4)-2 of the Advisers Act (the “Custody Rule”). Neither BBA nor the General Partners have actual physical custody of any Fund’s assets, rather, all such assets are held in the name of each applicable Fund by an independent qualified custodian. At times when BBA participates in a financing, there can be a delay in the time that the physical restricted shares are delivered from the transfer agent to the qualified custodian, or in the case of electronic book entry securities, there may be a delay in the posting to the respective Client’ account at the transfer agent. Such Funds are typically audited annually, and Investors receive annual financial statements, as required by applicable law.

Item 16 – Investment Discretion

If you accept *discretionary authority* to manage securities accounts on behalf of *clients*, disclose this fact and describe any limitations *clients* may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).

BBA has discretionary authority to manage the assets of the Funds, subject, in the case of certain Funds, to certain concentration and other limitations on the amounts of certain types of investments that such Funds may make, as more fully provided in such Funds' limited partnership agreements and management agreements. Subject to the applicable concentration and other limits, BBA is generally authorized to make all purchase and sale decisions for the Funds and Investors do not have the ability to impose limitations on BBA's discretionary authority.

The limited partnership agreements of the Funds generally contain a power of attorney that grants to the General Partners certain powers related to the orderly administration of the affairs of the applicable Fund.

Please see Item 4 for additional information regarding BBA's advisory services.

Item 17 – Voting Client Securities

- A. If you have, or will accept, authority to vote *client* securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC rule 206(4)-6. Describe whether (and, if so, how) your *clients* can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your *clients* with respect to voting their securities. Describe how *clients* may obtain information from you about how you voted their securities. Explain to *clients* that they may obtain a copy of your proxy voting policies and procedures upon request.**

From time to time, an issuer of an equity security that is owned by a Client will conduct a proxy solicitation of its shareholders to vote on various matters. As a general matter, the operative agreements between BBA and its Clients delegate the power to vote such proxies to BBA.

BBA will vote proxies in the best interests of each particular client. BBA also reserves the right not to vote such client securities if it reasonably determines that not voting on the matter will not have a negative impact on Client interests. In most cases, BBA will vote in favor of management's recommendations for election of the board of directors (where no corporate governance issues are implicated), selection of auditors, and annual say on pay.

BBA will abstain from voting on a matter where the cost of assessing its vote outweighs the benefit to its Clients, which is typically the case where (a) BBA's aggregate interest in the company represents less than 3% of each applicable Client and (b) BBA's aggregate interest represents less than 10% of the voting interest in the company.

If a BBA employee becomes aware that a conflict (or potential conflict) exists between the interests of BBA and a Client with respect to a proxy vote, the employee must bring the conflict to the attention of the Chief Compliance Officer, who will determine the appropriate course of action.

If BBA were to retain a third party to assist it in coordinating and voting proxies with respect to Client securities, the Chief Compliance Officer would periodically review the third party to assure that all proxies are being properly voted and appropriate records are being retained.

Investors may obtain a copy of BBA's proxy voting policies and procedures, as well as the manner in which proxy votes have been cast on behalf of Clients, by request to Scott Lessing, President, Baker Bros. Advisors, 667 Madison Ave., New York, NY 10065.

- B. If you do not have authority to vote *client* securities, disclose this fact. Explain whether *clients* will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) *clients* can contact you with questions about a particular solicitation.**

Not applicable.

Item 18 – Financial Information

- A. If you require or solicit prepayment of more than \$1,200 in fees per *client*, six months or more in advance, include a balance sheet for your most recent fiscal year.**

Not applicable.

- B. If you have *discretionary authority* or *custody* of *client* funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per *client*, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to *clients*.**

BBA is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its Clients.

- C. If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.**

Not applicable.