



Essex Woodlands

Essex Woodlands Health Ventures, Inc.
Part 2A of Form ADV
The Brochure

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This brochure provides information about the qualifications and business practices of Essex Woodlands Health Ventures, Inc. If you have any questions about the contents of this brochure, please contact us at (281) 364-1555. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Essex Woodlands is also available on the SEC's website at: www.adviserinfo.sec.gov.

Material Changes

In the first quarter of 2012, Essex Woodlands Health Ventures, Inc.’s (“EW”, “we”, “our”, or “us”) filed its initial application to register as an investment adviser with the SEC. EW has updated its Form ADV, Part 2A and determined that no material changes have been made since the last annual update that may be important to investors other than as follows:

- EW has clarified that the precise management fee offset provisions may vary among the Partnerships. Specific terms are found in each Partnership’s Governing Documents.
- EW has clarified that it typically uses the execution services of the broker-dealer that currently custodies the public securities held by the Partnerships when a decision has been made by the Investment Committee to sell such securities, provided that we have a reasonable belief that we will achieve best execution in doing so.
- EW has disclosed that due to the nature of its operations, it will generally not aggregate transactions because the Partnerships generally do not trade in the same portfolio companies at or around the same time.
- EW has disclosed that it has engaged and will compensate a third-party placement agent for referring prospective limited partners.

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Advisory Business

EW was founded in 2003 to serve as the management company for its family of private funds. EW serves, directly or indirectly, as the manager and investment adviser to the investment funds described herein; affiliates of EW serve as the general partners of such private funds. EW does not have any owners with a 25% or greater stake in EW.

EW manages private investment funds that focus on making venture capital and growth equity investments (the “Partnerships”). For purposes of clarification, when discussing the Partnerships in this Brochure, unless the context or disclosure instructions dictate otherwise, we refer only to our private investment funds, which accept outside capital from the underlying limited partners.

Investment advice is provided directly to the Partnerships and not individually to the underlying limited partners. EW manages the assets of the Partnerships in accordance with the terms of each Partnership’s private placement memorandum, individual limited partnership agreement and/or other governing documents applicable to each Partnership (the “Governing Documents”). The Governing Documents of each Partnership identify the type of securities or other investment instruments in which the vehicle will invest and any investment restrictions or limitations with respect to these securities.

Interests in the Partnerships are not registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and the Partnerships are not registered under the Investment Company Act of 1940, as amended (the “IC Act”). Accordingly, interests in the Partnerships are offered and sold exclusively to limited partners satisfying the applicable eligibility and suitability requirements, either in private transactions within the United States or in offshore transactions.

As of December 31, 2012, we had approximately \$1.6 billion of regulatory assets under management on a discretionary basis¹. Our investment objective is to generate significant capital appreciation for limited partners. We seek to achieve this objective primarily by making venture capital and growth equity investments.

We currently provide investment advisory services to the Partnerships as follows:

- Essex Woodlands Health Ventures Fund III, L.P. (Fund III).
- Essex Woodlands Health Ventures Fund IV, L.P. (Fund IV)
- Essex Woodlands Health Ventures Fund V, L.P. (Fund V)
- Essex Woodlands Health Ventures Fund VI, L.P. (Fund VI)
- Essex Woodlands Health Ventures Fund VII, L.P. (Fund VII)
- Essex Woodlands Health Ventures Fund VIII, L.P. (Fund VIII)
- Essex Woodlands Health Ventures Fund VIII-A, L.P. (Fund VIII-A)
- Essex Woodlands Health Ventures Fund VIII-B, L.P. (Fund VIII-B)
- Essex Woodlands Special Situations Fund, L.P. (Fund SS)

¹ Assets under management include unfunded capital commitments and assume all illiquid investments are valued at EW’s estimated fair values as of December 31, 2012.

Limited partners may receive opportunities to co-invest in portfolio companies of particular Partnerships. In allocating co-investment opportunities to applicable limited partners, we will consider factors such as capital available for investment by the applicable Partnerships, other potential investments then being considered by the applicable Partnerships, investment concentration with respect to the applicable Partnerships, the liquidity needs and obligations of the applicable Partnerships, the strategic value of a particular limited partner co-investing in the opportunity in question and similar items. The decision to open a specific investment to co-investments would be in our sole discretion. EW's employees are not permitted to co-invest alongside the Partnerships.

Fees and Compensation

Compensation we receive is comprised of fees based on a percentage of assets under management and performance-based carried interest. Such fees are paid directly by the applicable Partnership.

Management Fees

For the first five years after the formation of a Partnership, Management Fees are generally assessed at a rate equal to 2% (per annum) of the capital committed to the respective Partnership. After the first five years, the Management Fee rate decreases every year. However, some Partnerships start off at a lower rate, which increases later to a higher rate. The precise management fee terms and any applicable fee rate reductions are described more fully in each Partnership's Governing Documents. Management Fees are payable quarterly in advance.

General Partner's Carried Interest

Cumulative net profits will be allocated 80% to all Partners (General and Limited) in proportion to their capital contributions and 20% ("carried interest") to the General Partner. Cumulative net losses, if any, generally will be allocated to all Partners in proportion to their contributed capital. The General Partner's carried interest is subject to a "clawback" provision. If, as of the end of any fiscal year or after a Partnership has made its final liquidating distribution, the General Partner has received aggregate distributions with respect to its 20% carried interest in excess of 20% of the Partnership's cumulative net profits, the General Partner will return to the Partnership the excess amount.

The Governing Documents for each Partnership set forth the precise calculation of carried interest and detail the foregoing provisions as they apply to such Partnership, which may vary between Partnerships.

Other Expenses

In addition to Management Fees and the General Partner's carried interest, limited partners will indirectly bear certain operating and organizational expenses of the Partnerships. These fees and expenses will vary, but typically will include organizational expenses, fees associated with making, monitoring or selling portfolio investments,² legal and accounting fees, taxes, commissions and

² Please see the "Brokerage Practices" section of this brochure for further information about trading or investment transaction costs and related matters.

brokerage fees, registration expenses, fees to government regulatory agencies, the cost of directors' and officers' liability insurance and other expenses such as litigation or broken deal expenses. The Governing Documents for each Partnership set forth the operating and organizational expenses that apply for each Partnership. Limited partners should review all fees and expenses to be paid by the Partnerships and thus, indirectly, by such limited partners.

Certain designated investment staff are generally responsible for choosing key third-party service providers engaged as part of EW's portfolio company due diligence process and must make efforts to ensure that the Partnerships and portfolio companies pay reasonable fees, receive quality services, and are not improperly influenced by conflicts of interest. Investment staff are generally expected to consult with EW's Investment Committee before engaging any key third-party service provider for portfolio company due diligence expected to result in an expense to a Partnership or portfolio company. Factors considered in selecting service providers may include, but are not limited to, the following: reasonableness of cost, reputation of the service provider, quality of service, responsiveness, and other factors deemed relevant based on the type of service provider.

Portfolio Company Remuneration

Director's fees, consulting fees, commitment fees, monitoring fees, break-up fees and success fees or other remuneration (including any options, warrants or other equity securities) paid during such year to EW, the General Partner, or their employees, generally shall be used first to offset any transaction expenses advanced by EW and not reimbursed by a Partnership. Any remaining portfolio company remuneration shall be used to reduce the Management Fee. However, the specific transaction expense and management fee offset provisions varies by Partnership (e.g., certain Partnerships benefit from limited or no offset provisions) and the precise terms are described more fully in each Partnership's Governing Documents. Any reimbursement by a portfolio company of out-of-pocket expenses incurred by EW, a General Partner, or their respective affiliates will not be offset against the fee payable by the Partnership.

Performance Based Fees and Side-by-Side Management

All Partnerships we advise are subject to the General Partner's carried interest as well as Management Fees. Carried interest is considered a performance based fee as it is based on a share of capital gains on the assets of a Partnership.

An adviser charging performance based fees to some accounts faces a variety of conflicts because the adviser can potentially receive greater fees from its accounts having a performance-based compensation structure than from accounts charged a fee that does not relate to performance (e.g., an asset-based fee). As a result, the adviser may have an incentive to direct the best investment ideas to, or to allocate or sequence investment transactions in favor of, the account that pays a performance-based fee. However, we do not have such an incentive to favor certain Partnerships since, as described above, all Partnerships we manage are subject to both carried interest and Management Fees.

The fact that we are compensated based on a share of capital gains on the assets of the Partnerships, however, may create an incentive for EW to make investments on behalf of the Partnerships that are riskier or more speculative than would be the case in the absence of such compensation.

Types of Clients

EW provides advisory services to private pooled investment vehicles through its affiliated parties as described in the *Advisory Business* section above. Limited partners in these Partnerships include a variety of institutional limited partners, but primarily consist of large, institutional governmental pension funds.

Limited partners that invest in the Partnerships must have a minimum degree of financial sophistication and meet other minimum investment criteria. Limited partners in the Partnerships must be “accredited investors” within the meaning of Regulation D under the Securities Act. Certain EW employees who qualify as “knowledgeable employees” under Rule 3c-5 under the IC Act are also permitted to invest (directly or indirectly) in the Partnerships. Limited partners considering an investment in the Partnerships should consult with their own investment, tax and/or legal consultants prior to investing.

The minimum commitment for an investor is outlined in the Governing Documents. The Partnerships generally require a \$250,000 to \$10 million minimum commitment, depending on the Partnership; however, the General Partner of each respective Partnership maintains the discretion to accept less than the minimum investment threshold.

The Partnerships have entered into, and may in the future enter into, agreements ("Side Letters") with certain prospective or existing limited partners whereby such investors are subject to terms and conditions that are more advantageous than those set forth in the Governing Documents. Side Letter terms and conditions may provide for, among other things, most favored nation clauses, reporting, and such other rights as the Partnerships and limited partners may negotiate.

Methods of Analysis, Investment Strategies and Risk of Loss

Investment Strategy and Analysis

Strategy

Our investment strategy involves two fundamental components – diversification and investing in a focused portfolio with concentrated ownership positions. We are dedicated to pursuing “best-of-breed” deals spread throughout the United States, Europe, and Asia. We seek growth equity and venture capital investments, diversified across sector, stage, and geography, including investments in early and late stage venture companies, growth companies and PIPEs within pharmaceuticals, medical devices, biotechnology, and healthcare services/IT.

We seek to make proprietary investments in proven companies with typical enterprise values of between \$50 and \$250 million. Target acquisitions may be either public or private. We generally have the ability to invest up to \$100 million per deal – with typical investments ranging between \$20 and \$60 million in equity. Based on the available opportunities, we may take either controlling or minority positions within the portfolio company.

Deal Sourcing

EW has direct access to a large number of healthcare investment opportunities and generally relies upon its developed network of professionals for further investment opportunities. Given its large and experienced team, EW generally relies on its network of entrepreneurs, corporate executives, clinicians, academics, and service providers with whom EW has worked with in the past. Each of EW's designated subcommittees is responsible for surveying its designated sector from a market, clinical, and regulatory point of view. Based on current conditions, each subcommittee identifies targeted investment areas and sources deals in the target areas.

Analysis

Once viable investment opportunities are sourced, an initial screening commences. Upon completing an initial due diligence review, the company is generally invited to present at a meeting attended in person by EW's investment professionals. Following the presentation, the investment professionals generally discuss, among other things, the opportunity and focus on the scientific/clinical aspect, regulatory hurdles, market opportunity, and quality of the management team. EW's Investment Committee, comprised of its managing directors and senior advisors, must approve each investment.

Due diligence with respect to prospective investments is intensive. EW generally interviews potential customers and extensively interacts with other industry sources throughout the due diligence process. EW will draw upon its own resource base and supplement the process with contact names provided by the company under review. EW in many cases also maintains a list of market areas in which it is interested. As such, general market research is often completed prior to the identification of a particular investment opportunity.

General due diligence consists of market, technical, and managerial reviews. Technical reviews and product due diligence generally focus on technology capabilities and the strength of the company's intellectual property rights. A more detailed market study for particular, emerging products may also be required. In addition to conducting reviews from portfolio company-referred sources, EW will generally conduct its own study using experts in the field. In the case of highly technical companies that claim proprietary protection, EW may engage outside patent counsel to review the company's patent portfolio.

EW often exercises oversight of its investments through representation on the portfolio company senior management teams by a member(s) of EW's senior management. EW's monitoring includes operational and financial business strategy performance of the portfolio companies. Portfolio companies are generally required to provide quarterly and ad hoc communications through EW's investment personnel.

Risk of Loss

Acquiring an interest in any Partnership involves a number of risks. An investment in a Partnership may be deemed a speculative investment and is not intended as a complete investment program. It is designed for sophisticated limited partners who fully understand and are capable of bearing the risk of an investment in a Partnership. No guarantee or representation is made that the Partnership will achieve its investment objective or that limited partners will receive a return of their capital.

All investing involves a risk of loss and the investment strategies we offer could lose money over short or even long periods. The possibility of loss of capital exists. The description contained below is a brief overview of some of the different market risks related to our investment strategies. A more complete description of applicable risks is available in the Governing Documents of each Partnership.

General Business and Management Risk

Investments in portfolio companies subject the Partnerships to the general risks associated with the underlying businesses, including market conditions, changes in regulatory requirements, reliance on management at the company level, interest rate, and currency fluctuations, general economic downturns, domestic and foreign political situations and other factors. With respect to management at the portfolio company level, many portfolio companies rely on the services of a limited number of key individuals, the loss of any one of whom could carry a significant, adverse effect the portfolio company's performance. While EW monitors portfolio company management, management of each portfolio company will have day-to-day responsibility of their associated portfolio company.

Risk of Venture Capital and Similar Investments

While venture capital and growth equity investments offer the opportunity for significant gains, such investments also involve a high degree of business and financial risk and can result in substantial losses. Among these risks are the general risks associated with investing in companies at an early stage of development or with little or no operating history, companies operating at a loss or with substantial variations in operating results from period to period, and companies with the need for substantial additional capital to support expansion or to achieve or maintain a competitive position. Such companies may face intense competition, including from companies with greater financial resources, more extensive development, manufacturing, marketing and service capabilities and a larger number of qualified managerial and technical personnel.

Service on Boards of Directors and Similar Rights

The Partnerships typically will have observation or visitation rights or the right to designate directors to serve on the boards of directors of portfolio companies. In addition, affiliates of the General Partners may serve, from time to time, as officers or directors of portfolio companies. The foregoing rights and activities, especially in light of statutes and regulations relating to corporate governance and increased scrutiny of corporate boards, could expose the General Partners, their affiliates and the assets of the Partnerships to regulatory action and/or claims by a portfolio company, its security holders and its creditors. While the General Partners intend to manage the Partnerships in a way that will minimize exposure to these risks, the possibility of successful claims or adverse regulatory action cannot be eliminated, and such events may have a significant adverse effect on the Partnerships.

In their capacity as officers or directors, affiliates of the General Partners will be subject to fiduciary or other duties to the portfolio company, which may adversely affect the Partnerships. For example, the Partnerships may be prohibited from selling publicly traded securities of a portfolio company if the General Partners or any of their affiliates is in possession of material nonpublic information relating to such company.

Certain Litigation Risks

The Partnerships will be subject to a variety of litigation risks, particularly due to the substantial likelihood that one or more portfolio companies will face financial or other difficulties during the term of the Partnerships. The Partnerships may also participate in portfolio company financings at implicit valuations lower than the valuations implicit in preceding rounds of financing. Legal disputes, involving any or all of the Partnerships, the General Partners or their affiliates, may arise from the foregoing activities (or any other activities relating to the operation of the Partnerships or the General Partners) and could have significant adverse effect on the Partnerships.

Availability of High-Quality Investment Opportunities

The Partnerships' ability to earn strong returns for their investors and, in turn, EW's ability to continue to attract investors, is dependent upon the ability of EW to provide access to high-quality investment opportunities. There is no assurance that such opportunities will be available during the investment period of a Partnership. The Partnerships compete for investments in portfolio companies with other private equity, venture capital and investment funds, corporations, financial institutions or wealthy individuals. There can be no assurance that the Partnerships will be able to locate and complete attractive investments or that the investments they ultimately make will satisfy all of the Partnerships' investment objectives.

Liquidity Issues

The Partnerships will make investments where there is likely to be no actively traded market. Moreover, many of the Partnerships' investments may be held by relatively few other investors. Under adverse market or economic conditions or in the event of adverse changes in the financial condition of the issuer or of the asset, the Partnerships may find it more difficult to sell such instruments when EW believes it advisable to do so or may be forced to sell them at prices lower than if the instruments were widely held. Thus, the range of disposal strategies available to the Partnerships may be further limited. Finally, dispositions of investments may be subject to contractual and other limitations on transfer, or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms obtainable upon a disposition.

Use of Leverage

The Partnership's portfolio investments are expected to include investments in companies whose capital structures may be leveraged. While investments in leveraged companies offer the opportunity for capital appreciation, such investments also involve a higher degree of risk. The Partnerships' investments may involve varying degrees of leverage, as a result of which recessions, operating problems and other general business and economic risks (as well as particular risks associated with investing in the industries targeted by the Partnerships) may have a more pronounced effect on the profitability or survival of such companies. Moreover, rising interest rates may significantly increase portfolio companies' interest expense, causing losses and/or the inability to service debt levels. If a portfolio company cannot generate adequate cash flow to meet debt obligations, the Partnerships may suffer a partial or total loss of capital invested in the portfolio company. In addition, borrowings by the Partnerships may be secured by the limited partners' commitments as well as by the Partnerships' assets.

Disciplinary Information

There are no any legal or disciplinary events with respect to us or our management that are material to a client's or prospective client's evaluation of us or the integrity of our management.

Other Financial Industry Activities and Affiliations

Neither we, nor our employees, have any relationships or arrangements with third parties that are material to our provision of advisory services to our clients.

The following affiliates of EW serve as General Partner and/or investment adviser to the Partnerships:

- Woodlands/Essex Management Partners, L.P. (General Partner to Fund III)
- Essex Woodlands Health Ventures IV, LLC (General Partner to Fund IV)
- Essex Woodlands Health Ventures V, LLC (General Partner to Fund V)
- Essex Woodlands Health Ventures VI, LLC (General Partner to Essex Woodlands Health Ventures VI, LP)
- Essex Woodlands Health Ventures VI, LP (General Partner to Fund VI)
- Essex Woodlands Health Ventures VII, LLC (General Partner to Essex Woodlands Health Ventures VII, LP)
- Essex Woodlands Health Ventures VII, LP (General Partner to Fund VII)
- Essex Woodlands Health Ventures VIII, LLC (General Partner to Essex Woodlands Health Ventures VIII, LP)
- Essex Woodlands Health Ventures VIII, LP (General Partner to Fund VIII, VIII-A and VIII-B)
- Essex Woodlands Special Situation Partners, LLC (General Partner to Essex Woodlands Special Situation Partners, LP)
- Essex Woodlands Special Situation Partners, LP (General Partner to Fund SS)

Essex Woodlands Health Ventures UK, Ltd. is the UK equivalent of a limited liability company that is wholly owned by EW and provides administrative and investment advisory services to EW in Europe as it relates to the Partnerships. Essex Woodlands Health Ventures UK, Ltd. is authorized and regulated by the UK Financial Services Authority. Essex Woodlands Health Ventures UK, Ltd. is not required to be registered under the Investment Advisers Act of 1940 ("Advisers Act").

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

Code of Ethics/Insider Trading

We have adopted a written Code of Ethics (the "Code") designed to address and avoid potential conflicts of interest as required under Rule 204A-1 of the Advisers Act (the "Rule").

This Rule requires us to adopt a code of ethics that sets forth a standard of business conduct and compliance with federal securities laws by all of our employees. Our Code contains policies and

procedures designed to ensure that employees conduct personal securities trading in such a manner as to avoid conflicts of interest or abuse of the employee's position of trust and responsibility.

Our Code requires, among other things, that employees:

- Act with competence, dignity, integrity, and in an ethical manner, when dealing with limited partners, the public, prospects, third-party service providers and fellow employees;
- Place the interests of limited partners along with the Partnerships, and the interests of EW above one's own personal interests;
- Adhere to the fundamental standard that employees should not take inappropriate advantage of their position;
- To the extent practicable, report to the CCO, and disclose or otherwise mitigate, any conflicts of interest that are material to limited partners and the Partnerships;
- Conduct personal securities transactions in a manner consistent with the Code;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Abide by the requirements contained in the Advisers Act, and rules thereunder, as well as other applicable provisions of the federal securities laws.

Our Code requires employees to:

- Pre-clear certain personal securities transactions;
- Report personal securities transactions on at least a quarterly basis; and
- Provide us with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest.

A copy of our Code will be provided to any client or prospective client upon request.

Employees of EW may have a material investment in our Partnerships. Therefore, we are considered to participate in transactions effected for the Partnerships. We do not believe this arrangement presents any material conflicts of interest since our interests and our employees' interests are aligned with the interest of limited partners in such Partnerships.

EW's employees are generally permitted to trade in their personal accounts the same securities and other investment instruments traded and held in Partnership accounts as long as the employees do not improperly use confidential or proprietary information (e.g., knowledge of Partnership holdings and transactions, material non-public information inadvertently received by EW or its employees, etc.) when making their personal trading decisions. Employee transactions in such securities could theoretically occur at or about the same time as EW transactions, but are subject to compliance reporting and monitoring requirements designed to detect and prevent potential conflicts of interest and other potential compliance-related concerns.

Allowing employees to trade in the same securities as the Partnerships presents various potential conflicts of interest. For example, employees could theoretically attempt to time their personal transactions to benefit from any potential impact Partnership transactions might have on the price of

a security or otherwise attempt to obtain a more favorable purchase, sale, short, or cover price than the Partnerships obtain. In addition, employees and the Partnerships could potentially take opposing positions (i.e., an employee account takes a long position when a Partnership takes a short position, or vice versa) and thus the employee could potentially experience a conflict between acting in his/her own best interest versus the Partnership's best interest. Finally, employees could devote excessive time/use limited resources towards managing their personal trading accounts and thus neglect the Partnerships. As mentioned above, the Chief Compliance Officer or his designee, among other things, monitors employee transactions relative to Partnership transactions to detect and prevent improper personal securities transactions and potential conflicts of interest.

Brokerage Practices

We focus on making investments, through the Partnerships, in both private and public securities. To the extent a Partnership acquires private securities, we do not ordinarily deal with any financial intermediary such as a broker-dealer, and commissions are not ordinarily payable in connection with such investments. To the extent a Partnership transacts in public securities, we intend to seek to achieve best execution and in doing so attempt to select brokers based upon our analysis of the broker's ability to provide best execution for the applicable Partnerships. We are authorized to determine:

- Which securities or other investment instruments to buy or sell;
- The total amount of securities or other investment instruments to buy or sell;
- The executing broker or dealer for any transaction; and
- The commission rates or commission equivalents charged for transactions.

Although best execution is typically referred to in the context of public securities, EW's obligation to seek best execution extends to the implementation of private investments: acquisitions and dispositions of portfolio companies. EW shall attempt to ensure that the Private Funds pay no more than the perceived fair value for portfolio companies or other investments as well as reasonable fees for services consumed to complete the transactions. From time to time, the Partnerships may receive distributions of such private company securities. In some cases, securities of such private companies may ultimately be registered for sale to the public. As mentioned above, EW has discretion to sell on behalf of the Partnerships any private company or public company securities held by the Partnerships.

More specifically, in making decisions regarding the allocation of brokerage transactions for the Partnerships and determining best execution, we consider a variety of factors in addition to cost including, but not limited to, the following:

- general expertise and background of the service provider or counterparty involved with the transaction;
- the type and size of the transaction involved;
- the transaction price;
- the stability or solvency of the service provider or counterparty;
- settlement capabilities;
- time required to complete the services requested;

- the reasonableness of any applicable fees or costs to complete the transaction; and
- research services provided or other arrangements relating to transaction.

While we reserve the right to consider the factors described above, provided that we have a reasonable belief that we will achieve best execution, in practice we typically use the execution services of the broker-dealer that currently custodies the public securities held by the Partnerships when a decision has been made by the Investment Committee to sell such securities.

Certain transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions and equivalents than would be the case for more routine services. We generally seek competitive commission rates and commission equivalents, but we will not necessarily pay the lowest commission or equivalent.

We do not participate in any formal soft dollar arrangements with broker-dealers or other counterparties. However, we do receive research from broker-dealers or other counterparties. To the best of our knowledge, these services are generally made available to all institutional investors doing comparable business with such broker-dealers or other counterparties. Research services furnished may include written information and analyses concerning specific securities; companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; and discussion with research personnel. The research includes primarily proprietary research, but could also include research created or developed by a third party.

Research services received from broker-dealers or other counterparties supplement our own research efforts. EW benefits from the research products or services because EW does not have to produce or pay for the research.

EW may have an incentive to select a broker-dealer or other counterparty based on EW's interest in receiving the research or other products or services, rather than on the Partnerships' interest in receiving most favorable execution on investment transactions. However, it should be noted that EW does not believe that the Partnerships incur transactions fees or costs (including any applicable commissions or markups or markdowns) higher than those charged by other broker-dealers or counterparties in return for research benefits.

The research benefits are generally used to service all of the Partnerships and are not necessarily used to benefit the Partnerships in proportion to the amount of business conducted with the broker-dealers or other counterparties that provide the research.

Investment staff and the CCO review transaction details to monitor EW's efforts to seek to achieve best execution and to detect and prevent potential compliance concerns in this area.

The Partnerships generally do not invest in the same portfolio companies at or around the same time. Therefore, as a general practice, we generally do not aggregate the purchase or sale of securities for multiple Partnerships.

Review of Accounts

Investments held by the Partnerships are reviewed on a continuous basis by our investment team. The investment team meets regularly to discuss the Partnerships' portfolios, investment ideas,

economic developments, current events, and other issues related to current portfolio holdings and potential investment opportunities. All Partnership investments are reviewed and approved by our Investment Committee. All dispositions must also be reviewed and approved by the Investment Committee.

We provide each limited partner with written reports on the affairs of the Partnerships. The reports include quarterly unaudited financial statements and an annual report that is audited by an accounting firm registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. For all but one Partnership with de minimis remaining assets that are in the process of being liquidated, the annual reports include audited financial statements and capital account statements, as well as tax information.

Client Referrals and Other Compensation

EW compensates a placement agent for actively referring prospective limited partners to EW. This generally consists of a percentage of the amount of capital raised by the placement agent. Such fees are borne by EW.

If we, or our employees, receive directors' fees, transaction fees, topping fees, break-up fees, investment banking fees, closing fees, advisory fees, consulting fees, administrative fees, or other similar fees relating to investments made by a Partnership from third parties, then such fees generally reduce the Management Fees assessment paid by limited partners. Any reimbursement by a portfolio company of out-of-pocket expenses incurred by EW, a General Partner, or their respective affiliates will not be offset against the fee payable by the Partnership. However, the specific transaction expense and management fee offset provisions varies by Partnership (e.g., certain Partnerships benefit from limited or no offset provisions) and the precise terms are described more fully in each Partnership's Governing Documents. Greater description of the method by which Management Fees may be reduced is disclosed in the Partnerships' Governing Documents.

Custody

Even though all assets of the Partnerships are held in custody by unaffiliated broker-dealers or banks, we are considered to have custody over the Partnerships' assets. This is because we, directly or through an affiliate, act as the general partner or managing member to a limited partnership or other comparable pooled investment vehicle that gives us legal ownership or control over the client funds and securities. Since EW is a SEC-registered investment adviser, it is subject to a number of requirements imposed by Rule 206(4)-2.

To comply with Rule 206(4)-2 and to provide meaningful protection to limited partners, each Partnership is subject to an annual financial statement audit by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. The audited financial statements are prepared in accordance with generally accepted accounting principles, and are distributed to each limited partner in a Partnership within 120 days of such Partnership's fiscal year end.

Investment Discretion

The Governing Documents of each Partnership provide that we or an affiliate, as the ultimate General Partner of such Partnership, have exclusive and complete authority and discretion in managing the business and affairs of such Partnership, subject only to specific and express limitations provided therein. Thus, without obtaining specific consent from a Partnership or its limited partners for each transaction, we have discretionary authority to transact in securities for the Partnerships.

Voting Client Securities

We vote proxies on behalf of each of the Partnerships. Our investment and legal teams hold responsibility for identifying the proxies upon which we will vote, voting the proxies in the overall interests of the applicable Partnerships and their limited partners (as described below), and submitting the proxies promptly and properly.

In determining the overall interests of the Partnerships and their limited partners, consideration will be given to both short-term and long-term implications of the proposal to be voted on when considering the optimal vote. In voting proxies, we will seek to avoid material conflicts of interest between our interests, on the one hand, and the interests of the Partnerships and their limited partners, on the other. If we detect a material conflict of interest in connection with a proxy solicitation, our Investment Committee will consider the vote under consideration, discuss the perceived conflict of interest, and decide on how to vote the proxy. We will record the decision and then vote the proxy accordingly.

It should be noted that limited partners cannot direct EW's vote in a particular solicitation.

Upon request, we will provide limited partners in any of the Partnerships with information about how the proxies relevant to such Partnership and limited partners were voted. Our complete proxy voting policy and procedures are available to limited partners upon request.

Financial Information

EW has never filed for bankruptcy and is not aware of any financial condition that is expected to affect or impair its ability to manage the Partnerships or meet contractual commitments to the Partnerships.