

**Item 1. Cover Page**

**LEERINK TRANSFORMATION PARTNERS LLC**

One Federal Street, 25<sup>th</sup> Floor  
Boston, MA 02110

617-918-4805

[www.leerink.com/capital-partners/](http://www.leerink.com/capital-partners/)

Part 2A of Form ADV: Firm Brochure  
April 29, 2016

**This brochure provides information about the qualifications and business practices of Leerink Transformation Partners LLC. If you have any questions about the contents of this brochure, please contact J. Eric Anderson at [eric.anderson@leerink.com](mailto:eric.anderson@leerink.com) or Elizabeth Staley at [liz.staley@leerinkcapital.com](mailto:liz.staley@leerinkcapital.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 Leerink Transformation Partners LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). An investment adviser’s registration with the SEC does not imply a certain level of skill or training.**

**Item 2. Material Changes**

Item 2 is not applicable to Leerink Transformation Partners LLC.

### **Item 3. Table of Contents**

ITEM 1. COVER PAGE.....	1
ITEM 2. MATERIAL CHANGES.....	2
ITEM 3. TABLE OF CONTENTS.....	3
ITEM 4. ADVISORY BUSINESS .....	4
ITEM 5. FEES AND COMPENSATION .....	4
ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT	11
ITEM 7. TYPES OF CLIENTS .....	11
ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....	12
ITEM 9. DISCIPLINARY INFORMATION .....	27
ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.	27
ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	28
ITEM 12. BROKERAGE PRACTICES.....	46
ITEM 13. REVIEW OF ACCOUNTS.....	47
ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION.....	47
ITEM 15. CUSTODY .....	48
ITEM 16. INVESTMENT DISCRETION .....	48
ITEM 17. VOTING CLIENT SECURITIES.....	48
ITEM 18. FINANCIAL INFORMATION .....	49
ITEM 19. REQUIREMENTS FOR STATE-REGISTERED ADVISERS .....	49

#### **Item 4. Advisory Business<sup>1</sup>**

For purposes of this brochure, the “Adviser” or “LTP” means Leerink Transformation Partners LLC, a Delaware limited liability company, together (where the context permits) with the affiliated general partner of the Funds (the “General Partner”). The General Partner is under common control with Leerink Transformation Partners LLC and possesses a substantial identity of personnel and equity owners with Leerink Transformation Partners LLC. The principal owner of Leerink Transformation Partners LLC is Leerink Capital Partners LLC. The Adviser has been in business since 2015.

The Adviser provides investment supervisory services to the Leerink Transformation Fund I L.P. (the “Transformation Fund”) and Massachusetts Innovation Catalyst Fund I L.P. (the “MA Fund” and together with the Transformation Fund, the “Funds”) that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”) and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”).

The Transformation Fund and the MA Fund invest in healthcare companies primarily by making equity and equity-related investments in commercial-stage companies that are focused in the healthcare technology and healthcare services sectors; however, the MA Fund invests only in such companies if they are also (1) headquartered in the Commonwealth of Massachusetts, (2) have at least 25 employees or greater than 50% of their employees in the Commonwealth of Massachusetts or (3) have a written business plan at the time of the MA Fund’s investment with a stated intention to, within 12 months of such investment, either move to, or have at least 25 employees in, the Commonwealth of Massachusetts. The Adviser’s advisory services consist of investigating, identifying and evaluating investment opportunities, structuring, negotiating and making investments on behalf of the Funds, managing and monitoring the performance of such investments and disposing of such investments.

The Adviser provides investment supervisory services to the Funds in accordance with the limited partnership agreements (the “Fund Agreements”) and advisory agreements (the “Advisory Agreements”) of each of the Funds.

Investment advice is provided directly to the Funds, subject to the discretion and control of the General Partner, and not individually to the investors in the Funds. Services are provided to the Funds in accordance with the Fund Agreements and Advisory Agreements. Investment restrictions for the Funds are established in the organizational or offering documents of the Funds, the Fund Agreements, Advisory Agreements, and side letter agreements negotiated with investors in the Funds (such documents collectively, the Funds’ “Organizational Documents”).

As of December 31, 2015, the Adviser did not manage any client assets.

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

---

<sup>1</sup> As of March 30, 2016, the Adviser has not yet commenced providing the advisory services described herein. Per Instruction 14 for Part 2 of Form ADV, this disclosure has been prepared based on the advisory services that the Adviser proposes to provide, and the practices, policies and procedures it proposes to adopt, once such services commence.

The Adviser receives Advisory Fees and Carried Interest (each as defined below) from the Funds. The Funds, and/or their portfolio companies may also make other payments to the Adviser or its affiliates for services provided to the portfolio companies which, in certain circumstances, may reduce the Advisory Fees payable to the Adviser. Additionally, consistent with the Organizational Documents of the Funds, the Funds typically bear certain out-of-pocket expenses incurred by the Adviser in connection with the services provided to the Funds and/or the portfolio companies. Further details about certain common fees and expenses are set forth in more detail below.

### **Advisory Fees**

As compensation for investment supervisory services rendered to the Funds, the Adviser receives from each such Fund an advisory fee (each, an “Advisory Fee”) calculated based on committed capital, a percentage of the annual advisory fee payable during a previous 12-month period or a percentage of the cost basis of unrealized portfolio investments with respect to such Fund. Advisory Fees will be reduced during the life of a Fund. Advisory Fees paid by a Fund are also reduced by other fees or compensation received by the Adviser or its affiliates that relate to such Fund’s activities and investments, or by certain organizational or other expenses borne by such Fund, as described in more detail below. Advisory Fees paid by a Fund are indirectly borne by investors in such Funds.

Advisory Fees billed to and received from the Funds are paid quarterly in advance and pro-rated for any partial periods of less than a full quarter.

The precise amount of, and the manner and calculation of, the Advisory Fees for each Fund are set forth in the applicable Fund’s Organizational Documents received by each investor prior to investment in such Fund. The Advisory Fees and other fees and distributions described above may be subject to waiver or reduction by the Adviser in its sole discretion, both voluntarily and on a negotiated basis with selected investors via side letter and other arrangements, which may not be disclosed to other investors in the same Fund. The fee structures described herein may be modified from time to time. Fees may differ from one Fund to another, as well as among investors in the same Fund.

Certain investors in the Funds that are employees, business associates and other “friends and family” of the Adviser, its shareholders or their personnel (collectively the “Adviser Investors”) will not typically pay Advisory Fees in connection with their investment in a Fund. Notwithstanding that Adviser Investors will generally not pay Advisory Fees, Adviser Investors will pay for their pro rata share of certain Fund expenses or the pro rata portion of such Adviser Investors’ expenses will be allocated to the Adviser or the General Partner.

The Advisory Fees paid by a Fund will generally be reduced by a percentage of: (1) the fees incurred by the Adviser in connection with the organization of such Fund that exceed a limit specified in such Fund’s Organizational Documents; (2) the amount of fees paid by such Fund to any persons acting as a placement agent in connection with the offer and sale of interests in such Fund to certain potential investors and (3) certain Other Fees (as defined below) received by the

Adviser or its affiliates. The amount and manner of such reduction, if any, is set forth in the Organizational Documents of the applicable Fund. To the extent a reduction relates to more than one Fund, the Adviser shall allocate the resulting Advisory Fee reduction among the Funds in proportion to their interest (or prospective interest) in the portfolio company. Any such reduction of a Fund's Advisory Fees will be limited to the extent of such Fund's proportionate interest in any such portfolio company. The portion of Other Fees allocable to capital invested by a co-investment vehicle or third-party investor that does not pay Advisory Fees will be retained by the Adviser and such amounts may not offset any Advisory Fee.

If the Advisory Fee ceases to be payable during any fiscal quarter (e.g., upon termination of an Advisory Agreement), Advisory Fees that have been prepaid are generally returned on a prorated basis.

### **Other Fees**

#### *Fees Payable by the Portfolio Companies*

The Adviser and its employees may, but currently do not, perform transaction-related, financial advisory and other services for, and may, but currently do not, receive fees from, actual or prospective portfolio companies or other investment vehicles of the Funds, including fees in connection with structuring investments in such portfolio companies, as well as mergers, acquisitions, add-on acquisitions, refinancings, public offerings, sales or other dispositions and similar transactions with respect to such portfolio companies ("Transaction Fees").

The Adviser may also receive "Monitoring Fees" pursuant to monitoring agreements with portfolio companies of the Funds governing the advice, consultation and other similar ongoing services provided by the Adviser to such portfolio companies. The terms of a monitoring agreement may include (among other things) annual automatic renewals, the payment of Monitoring Fees (which may be fixed fees or calculated as a percentage of EBITDA or similar performance metric), and the acceleration of payment of the Monitoring Fees upon certain termination events, including the occurrence of an initial public offering or strategic exit. The accelerated monitoring fee may be calculated as the present value of hypothetical future payments, which may be based on an assumed growth in performance, based on an assumed growth of EBITDA or similar metric, and may be calculated using a discount rate as low as the risk free rate, as determined by the Adviser. Since the monitoring agreements may have prolonged terms (often exceeding ten years and/or subject to automatic extensions and renewal), the financial effect of such acceleration may be substantial, particularly in the event such circumstances occur early in the life of the Fund's investment in such portfolio company.

In addition, the Adviser has the ability to receive fees in connection with an unconsummated transaction ("Break-Up Fees") but does not expect to. The amount and timing of Break-Up Fees received by the Adviser are generally specified in the agreement or other documentation governing the transaction.

The Adviser and its employees may also receive fees in connection with serving as a director of a portfolio company or other similar fees (together with Break-Up Fees, Transaction Fees and Monitoring Fees, the “Other Fees”).

Generally, under the terms of the applicable Organizational Documents, for purposes of calculating any Advisory Fee offset, Other Fees are net of out-of-pocket costs and expenses incurred by the Adviser in connection with consummated or unconsummated transactions or in connection with generating any such fees. Although these Other Fees are in addition to the Advisory Fees, the Adviser will in most circumstances, as highlighted below, reduce the amount of Advisory Fees paid by the applicable Fund in connection with the receipt of such Other Fees in accordance with the Organizational Documents of the applicable Fund. Any such reduction of such Fund’s Advisory Fees will be limited to the extent of such Fund’s proportionate interest in any such portfolio company.

In certain circumstances, amounts received by the Adviser or its affiliates for operational services rendered for a portfolio company will not be offset, provided that the amounts and terms of such payment are within the customary range for comparable services, as determined in good faith by the General Partner.

The payment of Other Fees by portfolio companies creates a conflict of interest between the Adviser and the Funds and their investors because the amounts of these Other Fees and reimbursements (see “*Expense Reimbursement*” below) are often substantial and the Funds and their investors generally do not have a direct interest in these Other Fees and reimbursements. The Adviser determines the amount of these Other Fees for the services provided and reimbursements in its own discretion, subject to agreements with sellers, buyers, and management teams, the board of directors of or lenders to portfolio companies, and/or third party co-investors in its transactions, and the amount of such fees and reimbursements may not be disclosed to investors in the Funds.

From time to time, the Adviser (in its sole discretion), agrees to pay a portion of an Other Fee received from an actual or prospective portfolio company to a third party (“Third Party Fee”), such as a consultant, advisor, finder, broker and/or investment bank. In such event, the Third Party Fee is not a fee that the Adviser is entitled to retain and therefore, the Adviser is not required under the terms of the applicable Organizational Documents to share such Third Party Fee with the Funds.

In addition, the Adviser or its managing directors or employees, on behalf of Adviser, could receive stock of a portfolio company as an Other Fee due to service of a managing director or employee of the Adviser on the board of such portfolio company. In the event of such a distribution or receipt of stock, the recipients, or Adviser, with respect to stock received as an Other Fee, may act in their own interest with respect to the share of securities and may determine to sell the distributed securities, or hold on to the distributed securities for such time as such recipient, or the Adviser, shall determine. The ability of such recipients, or the Adviser, with respect to stock received as an Other Fee, to act in their own interest with respect to such distributed shares creates a conflict of interest between the Adviser, as an adviser to the Funds, and its Related Persons, on the one hand, and the Funds.

In many cases with respect to the implementation of the arrangements described above, there is not an independent third-party involved on behalf of the relevant portfolio company. Therefore, a conflict of interest exists in the determination of any such fees and other related terms in the applicable agreement with the portfolio company.

#### *Payments Made to Third Parties*

The Adviser may also, but currently does not, engage and retain senior advisors, advisers, consultants, and other similar professionals who are not employees or affiliates of the Adviser and who, from time to time, receive payments from, or allocations with respect to, portfolio companies and/or other entities. In such circumstances, such fees or other compensation received by such persons may be retained by such persons and will not be deemed paid to or received by the Adviser and such amounts will not be subject to the sharing arrangements described above and will not benefit the Funds or their investors. For a discussion of material conflicts of interest created by the engagement of such persons, please see “*Providers of Operations Support*” in Item 11 below.

#### *Expense Reimbursement*

Additionally, a portfolio company will typically reimburse the Adviser for expenses (including without limitation travel expenses, which may include expenses for first class travel, and meals and entertainment expenses, indemnification expenses, certain legal expenses and similar out-of-pocket expenses) incurred by the Adviser in connection with its performance of services for such portfolio company; such reimbursed expenses are generally not included in the definition of “Other Fees” under the terms of the applicable Organizational Documents and such reimbursements are not subject to the sharing arrangements described above. Such expense reimbursements are often substantial and the Funds and their investors generally do not have a direct interest in these reimbursements. The Adviser determines the amount of these reimbursements in its own discretion, subject to agreements with sellers, buyers, and management teams, the board of directors of or lenders to portfolio companies, and/or third party co-investors in its transactions, and the amount of such reimbursements often will not be disclosed to investors in the Funds. For a discussion of material conflicts of interest created by the receipt of such fees and reimbursements, please see Item 11 below.

### **Expenses**

#### *Adviser Expenses*

The Adviser will pay out of Advisory Fees certain expenses and costs associated with the performance of its services, including all expenses on account of placement fees, the cost of office space, office equipment, communications, utilities and other such normal overhead expenses, and travel, other than travel related to portfolio company investments, and compensation expenses of the Adviser’s officers and employees (other than Carried Interest described in Item 6 below).



### *Fund Expenses*

Consistent with the Organizational Documents of the applicable Fund, such Fund will generally bear all other expenses relating to it, including: organizational expenses; the Advisory Fee; all expenses incurred in connection with the business, affairs and operations of such Fund, including the due diligence, purchase, acquisition, holding, transfer or sale, of portfolio investments (whether or not consummated), including legal, accounting and consulting fees, travel and the fees and expenses of any third-party administrator of the Fund; all expenses incurred in connection with the origination, development and execution of any portfolio investment, including the employment of consultants or experts; all expenses incurred in connection with the securing of financing, including but not limited to expenses related to the negotiation and documentation of agreements with one or more lenders; all costs and fees relating to the administrative and audit expenses of the Fund, and the preparation of financial and tax reports, portfolio valuations and tax returns of the Fund; all legal, regulatory, administrative and compliance costs of the Fund, the General Partner and/or the Adviser, in each case with respect to the Fund; all costs of prosecuting or defending any legal action for or against the Fund, the General Partner, the Adviser, or any of their respective affiliates relating to the affairs of the Fund; all indemnification obligations of the Fund; principal and interest on, and fees and expenses arising out of, all permitted borrowings made by the Fund; all costs of any litigation, director and officer liability or other insurance and indemnification or extraordinary expense or liability relating to the affairs of the Fund; all professional fees incurred in connection with the business or management of the Fund; all expenses of liquidating and dissolving the Fund; any taxes, fees or other governmental charges levied against the Fund and all expenses incurred in connection with any tax audit, investigation, settlement or review of the Fund; all expenses incurred in connection with any restructuring or amendments to the constituent documents of the Fund and its parallel entities, alternative investment vehicles and the General Partner; expenses incurred in connection with the formation of special purpose investment vehicles, including any alternative investment vehicles; expenses incurred in connection with annual or other meetings (including travel); all costs related to the holding of meetings of the Funds' advisory boards (including travel, lodging and meals), and all costs related to the activities of the Funds' advisory boards; all fees charged, and reasonable out-of-pocket expenses incurred, by any third-party administrator of the Fund in connection with the administration of the Fund; and expenses incurred in connection with the distribution of marketable securities. Certain Funds may also be responsible for the costs of establishing and operating entities related to the Carried Interest.

### *Co-Investment Vehicle Expenses*

In certain cases, a co-investment vehicle, or other similar vehicle is established to facilitate the investment by investors to invest alongside a Fund or may be formed in connection with the consummation of a transaction.

If a proposed transaction is not consummated, no such co-investment vehicle generally will have been formed, and the full amount of any expenses relating to such proposed but not consummated transaction ("Dead Deal Costs") would therefore be borne by the Fund or Funds selected by the Adviser as proposed investors for such proposed transaction. Similarly, co-investment vehicles are not typically allocated any share of Break-Up Fees paid or received by

the Adviser in connection with such an unconsummated transaction. As a general matter, no co-investor will bear Dead Deal Costs or Break-Up Fees unless they are contractually committed to do so.

### *Allocation of Expenses*

In exercising its discretion to allocate investment opportunities and fees and expenses, the Adviser is faced with a variety of potential conflicts of interest. For example, in allocating an investment opportunity among Funds with differing fee, expense and compensation structures, the Adviser has an incentive to allocate investment opportunities to the Fund from which the Adviser or its related persons derive directly, or indirectly, a higher fee, compensation or other benefits.

To the extent not allocated to a portfolio company, the Adviser will allocate fees and expenses incurred in the course of evaluating and making investments that are consummated with the Funds in accordance with the Funds' Organizational Documents or, to the extent not addressed in such Organizational Documents, pro rata based on the respective total capital commitments of such Funds.

The appropriate allocation between the Funds and Third Parties of expenses and fees generated in the course of evaluating potential investments which are not consummated, such as out-of-pocket fees associated with due diligence, attorney fees and the fees of other professionals, will be determined by the Adviser in its good faith discretion, consistent with the Organizational Documents of the Funds. If the Funds evaluate a potential investment that is not consummated, the Adviser generally allocates fees and expenses generated in the course of evaluating such investment among such Funds based on anticipated investment of each Fund and such expenses are typically are not allocated to co-investment vehicles. There may be occasions when one Fund (the "Payor Fund") pays an expense common to multiple funds (the "Allocated Funds") (e.g., legal expenses for a transaction in which all such funds participate). On such occasions, each Allocated Fund will reimburse the Payor Fund for its share of such expense, without interest, promptly after the payment is made by the Payor Fund. While highly unlikely, it is possible that one of the Allocated Funds could default on its obligation to reimburse the Payor Fund.

With respect to allocating other expenses among Fund(s), co-investment vehicles, and/or Third Parties, as appropriate, to the extent not addressed in the Organizational Documents of a Fund, the Adviser will make any such allocation determination in a fair and reasonable manner using its good faith judgment, notwithstanding its interest (if any) in the allocation. The Adviser will make any corrective allocations and take any mitigating steps if it determines such corrections are necessary or advisable.

### **Carried Interest**

Please see Item 6 below regarding "Carried Interest".

### **Brokerage Fees**

The Adviser, from time to time, utilizes the services of broker-dealers to affect portfolio transactions for the Funds. In the event that it chooses to use a broker-dealer for limited purposes relating to such Fund, such Fund will incur brokerage and other transaction costs. For additional information regarding brokerage practices, please see Item 12 below.

The Adviser has an affiliated broker dealer, Leerink Partners LLC (the “Affiliated Broker”) that is a member of the Financial Industry Regulatory Authority (“FINRA”). The Affiliated Broker’s activities include, among other things, providing investment banking services (such as underwriting, private placement and financial advisory services), investment research, institutional brokerage, as well as securities trading and market making activities. The Affiliated Broker receives fees, commissions, and interest payments in respect of such activities. The Funds have no right to share in any such compensation received by the Affiliated Broker. The Affiliated Broker does not share in any Transaction Fees.

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

With respect to each Fund, and in accordance with the terms of such Fund’s Organizational Documents, a portion of the profits of such Fund are allocated to the capital account of the General Partner as “carried interest” (the “Carried Interest”). The General Partner is a related person of the Adviser. Carried Interest paid by the Funds is indirectly borne by investors in the Funds. Certain investors in the Funds may incur lower or no Carried Interest.

The payment of Carried Interest at varying rates creates an incentive for the Adviser to disproportionately allocate time, services or functions to Funds paying Carried Interest at a higher rate, or allocate investment opportunities to such Funds. Generally, and except as may be otherwise set forth in the Organizational Documents of the Funds, this conflict is mitigated by (i) certain limitations on the ability of the Adviser to establish new investment funds, (ii) contractual provisions requiring the Funds to purchase and sell investments contemporaneously and/or (ii) contractual provisions and procedures setting forth investment allocation requirements. Please also see Item 11 below regarding allocation for additional information relating to how conflicts of interests are generally addressed by the Adviser.

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

The Adviser currently provides investment supervisory services to the Funds. Investment advice is provided directly to the Funds (subject to the direction and control of the General Partner, if applicable) and not individually to investors in such Funds.

Interests in the Funds are offered pursuant to applicable exemptions from registration under the Securities Act and the 1940 Act. Investors in the Funds are generally “qualified purchasers” as defined in the 1940 Act, and may include, among others, high net worth individuals, banks, thrift institutions, pension and profit sharing plans, trusts, estates, charitable organizations, university endowments, corporations, limited partnerships and limited liability companies or other entities.

Minimum investment commitments exist for investors in the Funds. The General Partner may in its sole discretion permit investments below the minimum amounts set forth in the Organizational Documents of the Funds.

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

### **Methods of Analysis and Investment Strategies**

#### ***Investment Strategy***

The Adviser focuses on identifying, investing in and helping build healthcare technology and healthcare services companies that provide breakthrough solutions to the broad array of challenges facing the U.S. healthcare industry. The Adviser primarily targets commercial-stage companies that have demonstrated the ability to generate recurring revenues. The Adviser seeks to position itself to benefit from the current transformation in the U.S. healthcare industry by investing in companies that provide novel technology solutions across the entire U.S. healthcare ecosystem: to providers; health insurers and other payors; employers; patients; other vendors of medical products and services; and consumers.

#### ***Investment Methodology***

The Adviser follows an investment process designed to identify, invest in and support companies in the healthcare industry.

#### **Sourcing Strategy**

The Adviser makes deal sourcing a top priority and the Adviser's team will focus on deal sourcing efforts within the Adviser's specific investment themes: healthcare technology and healthcare services. The Adviser's deal sourcing efforts are generally enhanced by:

- The Adviser's network in the healthcare industry;
- Access to the Leerink Group's (as defined in Item 11 below) networks; and
- Use of the Adviser's board of industry experts (the "Healthcare Transformation Advisory Group");

#### **Diligence and Deal-Making**

Once the Adviser makes the decision to initiate diligence for a deal opportunity, the Adviser employs a deep and intensive diligence process. For each diligence process, the Adviser intends to employ structured analysis framework that guides focus on important questions. The deal team conducts an initial assessment of the same key topics, which include:

- strength of chief executive officer and senior team, together with key senior team needs;
- size and attractiveness of addressable market;
- product strengths/weakness;

- customer return on investment;
- competitive landscape, key competitive differentiation and barriers to entry;
- regulatory and reimbursement headwinds/tailwinds;
- go-to-market strategy and efficiency;
- financial analysis, including review of historical and projected financials, margin structure, scalability and future capital needs;
- capitalization structure, investment history and expected deal pricing/structure; and
- exit dynamics, including likely acquirers and public offering potential.

From this initial broader review, the Adviser prioritizes the three to four critical issues that will drive investment decisions and focus on these topics. As the Adviser dives deeper in its analysis on these key questions, the Adviser employs an iterative process of periodically stepping back to assess whether it has prioritized the right set of topics. The Adviser's ability to conduct diligence on potential portfolio companies is driven by the combination of the Adviser's senior personnel's collective investing, operational and clinical experience, as well as the resources of the Leerink Group platform.

The Funds' investment committee will be composed of the Managing Partners and one representative of the Leerink Group. Affirmative consent of a majority of the investment committee – including the agreement of both of the Managing Partners – will be required to proceed with an investment.

#### Company-Building and Exit

The Adviser seeks to drive value by being active in four key areas:

- **Team-building.** The Adviser seeks to assist portfolio companies with recruiting senior executives and independent board members.
- **Specialized operational assistance.** The Adviser intends to leverage its experience in healthcare regulation, billing, payments and clinical problems to provide operational experience to its portfolio companies and help the management teams build their companies.
- **Acquisitions and Other Strategic Transactions.** The Adviser intends to draw on its experience in assisting companies with strategic transactions to provide support to portfolio companies undergoing such transactions.
- **Exits.** The Adviser considers analysis of potential exits, including consideration of the company's likely strategic acquirers, and its potential to be a standalone public company during the diligence process. The Adviser then refines this analysis throughout the portfolio company's investment cycle to determine the optimal time to exit an investment.

## **Risk Factors**

Investing in securities involves a substantial degree of risk. The Funds may lose all or a substantial portion of their investments and investors in the Funds must be prepared to bear the risk of a complete loss of their investments.

In addition, material risks relating to the investment strategies and methods of analysis described above, and to the types of securities typically purchased by or for the Funds, include the following:

*Risks Inherent in Investing in Companies of the Type Targeted by the Funds.* The types of investments that the Funds anticipates making involve a high degree of risk. In general, financial and business risks confronting portfolio companies can be significant. While targeted returns should reflect the perceived level of risk in any investment situation, there can be no assurance that the Funds will be adequately compensated for risks taken. A loss of an investor's entire investment is possible. The timing of profit realization is highly uncertain. Losses are likely to occur early in a Fund's term, while successes often require a long maturation.

A Fund's portfolio companies generally will be developing companies in industry sectors that entail significant operating risk. Many of a Fund's portfolio companies will be at a stage of development which may involve greater risks than are generally associated with investments in more established companies. Although such investments tend to be less risky than seed capital, such Fund's investments will involve significant financial and business risks. Such companies will have shorter operating histories on which to judge performance and, in many cases, will operate with limited profits, at breakeven or at a loss, or with substantial variations in operating results from period to period. A Fund's portfolio companies will often have limited operating histories and products or services with undeveloped markets. Many of a Fund's portfolio companies will need substantial additional capital (which may not be available) to support additional research and development activities, expansion, to develop new products, services and distribution capabilities or to achieve or maintain a competitive position. Such companies face intense competition, including from companies with greater financial resources, more extensive development, engineering, marketing and service capabilities and a larger number of qualified managerial and technical personnel. A Fund's portfolio companies may also be more susceptible to the negative effects of downturns in general economic conditions or loss of a single or a small number of employees.

*Disposing of Investments in Companies of the Type Targeted by the Funds.* The M&A market for commercial- and pre-commercial stage private companies (including companies in the healthcare technology and healthcare services sectors) can be extremely volatile. Such volatility may adversely affect the development of portfolio companies, the ability of the Funds to dispose of investments, and the value of the Funds' investments on the date of sale or distribution by the Funds. In particular, the receptiveness of potential acquirers to a Fund's portfolio companies will vary over time and, even if a portfolio company investment is disposed of via a merger, consolidation or similar transaction, such Fund's stock, security or other interests in the surviving entity may not be marketable. Similarly, the receptiveness of the public market to initial public offerings by a Fund's portfolio companies may vary dramatically from period to period. An otherwise successful portfolio company may yield poor investment returns if it is

unable to consummate an initial public offering at the proper time. Even if a portfolio company effects a successful public offering, a Fund or the portfolio company's securities typically will be subject to contractual "lock-up," securities law or other restrictions, which may, for a material period of time, prevent a Fund and/or such Fund's limited partners from disposing of such securities. There can be no guarantee that any portfolio company investment will result in a liquidity event via a merger, acquisition, initial public offering or otherwise, and there is a significant risk that a Fund's investments will yield little or no return. In most cases, investments will be long term in nature and may require many years from the date of initial investment before disposition. It is possible that a Fund will still hold some illiquid securities at the time of such Fund's dissolution, with the result that such securities may be distributed in-kind or sold for a price that reflects their illiquid nature.

*Difficulty in Valuing Portfolio Investments.* The Funds' investment portfolio will consist primarily of investments in privately held companies, and most of the Funds' investments will be difficult to value. There will be no readily available market for most of the Funds' investments. The General Partner intends to determine the value of the Funds' investments in good faith based on its valuation policies and procedures in effect from time to time. The General Partner's valuations of such investments may vary from similar valuations performed by independent third parties for similar types of securities or assets. The value of the Funds' investments may also be affected by changes in accounting standards, policies, or practices. Because of a wide variety of factors, many of which are beyond the control of the General Partner and the Funds, there is no guarantee that the value determined by the General Partner will represent the value that will be realized by the Funds on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment.

*Investment in New Technologies and Business Models.* The Funds may invest in relatively new technologies and business models. While investments in newly developing technologies and business models offer the opportunity for capital appreciation, such investments also involve a higher degree of risk than more developed technologies and business models. Certain new technologies and business models are more costly and time-consuming to reach viability and such companies may have difficulty establishing a market presence or achieving market acceptance. Developing technologies and business models are also more likely to have undeveloped regulatory frameworks and therefore there is a greater risk that regulatory developments may adversely affect the industry.

*Economic Conditions; Business and Market Risk.* A substantial portion of the Funds' investments will be in equity or equity-related instruments that by their nature involve business, financial, market and/or legal risks. The success of the investment strategy could be significantly impacted by changing external economic conditions in the United States and global economies. The stability and sustainability of growth in global economies may be impacted by terrorism or acts of war. Companies in which the Funds invest may be sensitive to general downward swings in the overall economy. Factors affecting economic conditions, including, for example, inflation rates, industry conditions, competition, technological developments, domestic and worldwide political, military and diplomatic events and trends, tax laws and innumerable other factors, none of which will be within the control of the Funds, can substantially and adversely affect the business and prospects of the Funds. Changing economic conditions could potentially adversely impact the valuation of portfolio holdings. A sustained period of low valuations in the public

equity markets could result in substantially lower liquidation values and substantially longer periods before liquidity is achieved in comparison with historical values, which would reduce the returns that could be achieved by the Funds. In addition, factors specific to a portfolio company may have an adverse effect on a Fund's investment in such company. The General Partner may rely upon its own, or a portfolio company's, projections concerning the portfolio company's future performance in making investment decisions. Such projections are inherently subject to uncertainty and to certain factors beyond the control of the portfolio company and the General Partner.

*Uncertainty of Financial Projections.* Financial and other information concerning the Funds' investments may only be available through certain sources, including the portfolio companies themselves. There may be no consistent means, however, of confirming the accuracy of such information. The Adviser may conduct its due diligence activities over a very brief period. The portfolio companies may have little or no previous credit or operating histories. The inaccuracy of certain assumptions and general economic conditions, which are unpredictable, can have a materially adverse impact on the reliability of such projections. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from such projections.

*Leverage.* To the extent that any investment is made in a portfolio company with a leveraged capital structure, such investment will be subject to increased exposure to adverse economic factors such as a significant rise in interest rates, a severe downturn in the economy or deterioration in the condition of such company or its industry. If such a company is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the value of any equity investment by the Funds in such company could be significantly reduced or even eliminated. In addition, the use of leverage increases the risk a portfolio company may experience financial difficulties or become insolvent.

*Bankruptcy of Portfolio Companies and Fraudulent Conveyance Considerations.* The Funds may make investments in portfolio companies that experience financial difficulties and become insolvent or file for bankruptcy protection. There are a number of risks inherent in the bankruptcy process, including, for example, the effects of litigation between the creditors and debtor, the duration of the bankruptcy proceedings and the tangible and intangible costs to the portfolio company. Furthermore, various U.S. federal and state and non-U.S. laws in connection with such bankruptcy proceedings could operate to the detriment of the Funds, such as laws enacted for the protection of creditors, which may apply to a Fund's investments. There is also a risk that a court may: (1) subordinate a Fund's investments to other creditors, (2) invalidate, in whole or in part, indebtedness and any security interests or other liens securing such investments as fraudulent conveyances, or (3) require a Fund to return amounts previously paid to it by a portfolio company that has become insolvent or filed for bankruptcy, a risk that could increase if such Fund has management rights in such portfolio company. For example, upon any insolvency of a portfolio company, payments made on the investment could be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year) before insolvency, with the measure of such insolvency varying depending on the law of the jurisdiction being applied. There can be no assurance as to what standard a court would apply in order to determine whether a borrower was insolvent after giving effect to the particular indebtedness or that, regardless of the method of evaluation, a court would not determine that the borrower was



“insolvent” upon giving effect to such indebtedness. Accordingly, there can be no assurance as to the timing or amount of return of capital, if any, to investors in the Funds.

*Investments with Third Parties.* The Funds expect to make investments together with other third parties, including with venture capital and private equity vehicles sponsored by others, and through co-investments with the Funds’ limited partners, strategic investors and other third parties. A Fund’s commitments to portfolio companies with co-investors may be substantial. Such investments may involve risks not present in investments where third parties are not involved, including the possibility that an investor participating alongside such Fund in an investment may experience financial, legal or regulatory difficulties, may at any time have economic or business interests or goals which are inconsistent with those of such Fund, may take a different view from the Adviser’s as to the appropriate strategy for an investment or disposition of an investment, or may be in a position to take action contrary to such Fund’s investment objectives. In addition, a Fund may in certain circumstances be liable for the actions of a third party with whom it invests. In those circumstances where such third parties involve a management group, such third parties may receive compensation arrangements relating to the investment, including incentive compensation arrangements. A Fund may, in certain circumstances, be subject to dilutive or other punitive terms associated with “pay-to-play” or similar provisions if such Fund is unwilling or unable to participate in follow on or other investment opportunities with third parties. Some of the third parties with whom a Fund co-invests may have pre-existing investments with target portfolio companies, and the terms of such pre-existing investments may differ from the terms upon which such Fund invests in such portfolio companies. In addition, such arrangements are likely to involve additional restrictions on the resale of a Fund’s interest in any such portfolio company.

*Competition for Suitable Investments.* The activity of identifying, completing and realizing attractive commercial-stage investments in general is competitive and involves a high degree of uncertainty. The availability of investment opportunities generally will be subject to market conditions. A Fund may encounter competition from other similarly focused funds formed before or after the establishment of such Fund. Potential competitors also include other investment partnerships and corporations, business development companies, strategic industry acquirers and other financial investors investing directly or through affiliates. Some of these competitors may have more relevant experience, greater financial resources and more personnel than the Funds, the Adviser or their affiliates. It is possible that competition for appropriate investment opportunities may increase, which could negatively impact a Fund’s ability to consummate investments and adversely affect the terms (including the price) upon which investments can be made. There can be no assurance that the Adviser will be able to locate and consummate investments that satisfy a Fund’s rate of return objectives or realize their values or that it will be able to invest fully its aggregate capital commitments.

*Portfolio Concentration.* Although each Fund’s Organization Documents will contain restrictions with respect to the amount that such Fund may invest in any single portfolio company and affiliated portfolio companies, diversification is not an objective of the Funds. Indeed, the Funds have a narrow investment focus, making equity and equity-related investments primarily in commercial-stage companies that are focused in the healthcare technology and healthcare services sectors. In addition, the Funds’ portfolio may include a small number of large positions. Furthermore, to the extent that the capital raised for the Funds is less than the targeted amount,

the Funds may invest in fewer portfolio companies and thus be less diversified. If the Funds' investments are concentrated in a few portfolio companies, affiliated portfolio companies or industries, any adverse change in one or more portfolio companies or industries could have a material adverse effect on the Funds' investments. Therefore, while this portfolio concentration may enhance total returns to the Funds' investors, if any large position has a material loss, returns to the Funds' investors may be lower than if they had invested in a more diversified portfolio.

*Follow-On Investments.* Following its initial investment in a given portfolio company, a Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company. There can be no assurance that such Fund will wish to make such follow-on investments or that such Fund will have sufficient capital to do so. Any decision not to make follow-on investments or the inability to make them may have a substantial negative impact on a portfolio company in need of such an investment, may diminish such Fund's proportionate ownership in such portfolio company and thus its ability to influence such portfolio company's future development, and/or may prevent such Fund from protecting its existing investments from dilutive or other punitive terms associated with "pay-to-play" or similar provisions.

*Bridge Loans.* From time to time, a Fund may lend to portfolio companies on a short-term, unsecured basis or otherwise invest on an interim basis in portfolio companies in anticipation of a future equity investment or issuance or long-term debt financing, syndication or issuance. Such bridge loans will typically be convertible into more permanent, long-term securities or investment; however, for reasons not always in such Fund's control, such long-term securities' issuance or investment or other refinancing or syndication may not occur and such bridge loans and interim investment may remain outstanding. In such event, the interest rate on such loans or terms of such interim investment may not adequately reflect the risks associated with the unsecured position taken by a Fund.

*Long Term Nature of Portfolio Investments.* There may be a significant period of time before the Funds have completed their investment program. Investments may take several years from the date of initial investment to reach a state of maturity when realization of the investment can be achieved. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, will generally occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the initial investment. Prior to such time, there often will be no current return on the investments.

*Illiquidity of Investments.* An investment in the Funds requires a long-term commitment with no certainty of return. It is unlikely there will be near-term cash flow available to a Fund's limited partners. Many of the Funds' investments may be illiquid. Illiquidity may result from the absence of an established market for the investments, as well as legal, contractual or other restrictions on their resale by the Funds. Dispositions of investments may be subject to contractual and other limitations on transfer or other restrictions. There can be no assurance that the Funds will be able to realize such investments at attractive prices or otherwise be able to effect a successful realization or exit strategy. Consequently, dispositions of such investments may require a lengthy time period or may result in distributions in-kind to the Funds' partners. There can be no

assurance that private purchasers can be found for a Fund's investments.

*Investments Longer than Term.* A Fund may make investments that may not be advantageously disposed of prior to the date that such Fund will be wound-up and dissolved, either by expiration of such Fund's term or otherwise. Although the General Partner generally expects to extend, or seek an extension to, each Fund's term pursuant to the applicable Organization Documents if such an extension would be in the best interests of such Fund, and generally expects that investments will be either realized prior to dissolution or suitable for in-kind distribution at dissolution, such Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution, particularly with respect to an early dissolution of such Fund as provided in the applicable Organization Documents.

*Uncertain Time Frame for Winding Up Affairs.* Each Fund has a term of ten years, with the ability to extend such term as specifically contemplated in each Fund's Organizational Documents. However, by amendment to a Fund's partnership agreements (which would not require the approval of all of such Fund's limited partners), the term of a Fund may be extended for additional periods. At the end of a Fund's term, the winding up of its affairs will commence. In connection with the dissolution of a Fund, the General Partner (or other relevant liquidator) may sell, exchange or otherwise dispose of the assets of such Fund in such reasonable manner as the General Partner (or other relevant liquidator) determines to be in the best interest of such Fund. There is no particular time period specified or required for the final disposition of a Fund's assets. Given the illiquid nature of a Fund's investments, it is possible that such Fund will hold a number of portfolio investments that cannot be advantageously disposed of promptly during the dissolution period in the absence of a liquidity event for the applicable portfolio company, and there can be no assurances with respect to the time frame in which the assets of such Fund will be disposed of following commencement of the dissolution of such Fund. It is possible that final liquidation of a Fund will not occur until several years or more after the end of such Fund's term.

*Risks from the Provision of Managerial Assistance.* A Fund may designate directors (and non-executive chairmen) to serve on the boards of directors of such Fund's portfolio companies. A board member designated by a Fund will likely have fiduciary duties to persons other than such Fund. The designation of directors and other measures contemplated could expose the assets of a Fund to claims by a portfolio company, its security holders and its creditors for breaches of fiduciary duties, securities claims and other director-related claims. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability for which the limited liability generally characteristic of business ownership may be ignored. If these liabilities were to occur, a Fund could suffer losses in its investments. In addition, a Fund's limited partners could be required to return distributions previously made to them to satisfy liabilities of such Fund. While the General Partner and the Adviser intend to manage each Fund in a way that will minimize exposure to these risks, the possibility of successful claims cannot be precluded. In addition, while the General Partner and Adviser may obtain additional directors and officers insurance, there are no assurances that they will do so. There can be no guarantee that insurance obtained by the Adviser, the General Partner, or the portfolio companies will be sufficient to cover liabilities incurred.

*Reliance on the General Partner and Key Personnel.* The General Partner will have sole discretion over the investment of the funds committed to each Fund as well as the ultimate realization of any profits. Investors in the Funds will be relying on the General Partner to conduct the investment activities of the Funds. A Fund is highly dependent on the diligence, skill and network of business contacts of the Adviser and the information and deal flow generated by the Adviser in the course of their investment and portfolio management activities. A Fund's success will depend on the continued service of the Adviser and other key personnel. The loss of one or more of the Managing Partners or other key personnel could have a material adverse effect on the business of a Fund and its ability to achieve its investment objectives. No assurances can be given that each of the Managing Partners and other key personnel will continue to be affiliated with the Adviser or any of their affiliates throughout the life of a Fund. There can be no assurance that the Managing Partners will be able to duplicate prior levels of success. In addition, notwithstanding the Adviser's affiliation with the Leerink Group, investors are relying solely on the Adviser and their respective employees with respect to any investment in a Fund.

*Reliance on Portfolio Company Management; Lack of Control Rights.* The day-to-day operations of each portfolio company in which a Fund invests will be the responsibility of such portfolio company's management team. Although the Adviser will be responsible for monitoring the performance of each portfolio company, will seek to negotiate appropriate rights and controls to influence key decisions, and generally intend to invest in portfolio companies operated by capable management teams, there can be no assurance that appropriate control and other rights will be secured in negotiations and/or that the existing management team or any successor management team will be able to operate any such portfolio company in accordance with a Fund's expectations. Moreover, commercial- and pre-commercial stage companies are often more dependent on a smaller group of key personnel than larger companies and thus may be more susceptible to risks associated with the departure of any such key personnel.

*Minority Investments.* Minority stakes in privately held companies will likely constitute a significant portion of a Fund's investments. In addition, during the process of exiting investments, a Fund is likely to hold minority equity stakes if portfolio holdings are taken public. As is the case with minority holdings in general, such minority stakes that a Fund may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. A Fund may also invest in companies for which such Fund has no right to appoint a director or otherwise exert significant influence. In such cases, such Fund will be reliant on the existing management and board of directors of such companies, which may include representatives of other financial investors with whom such Fund is not affiliated and whose interests may conflict with the interests of such Fund. To the extent that the management of a portfolio company performs poorly, or if a key manager of a portfolio company terminates his or her employment with such company, a Fund's investment in such company could be adversely affected.

*Investments in Public Companies .* Although the Funds intend to invest predominantly in private portfolio companies, the Funds may invest in public companies and may continue to hold securities of private portfolio companies that have been taken public. Investments in public companies may subject the Funds to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility

in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Funds to dispose of such securities at certain times (including as a result of the possession by the Funds of material non-public information), increased likelihood of shareholder litigation against such companies' board members, which may include the Adviser and its affiliated entities and individuals, regulatory action by governmental bodies and increased costs associated with each of the aforementioned risks.

*Alternative Investment Vehicles.* Based on legal, tax, accounting, business, regulatory or other reasons and/or to facilitate participation in certain types of investments, the General Partner, in its sole discretion, may create one or more alternative investment vehicles ("AIVs") having terms and conditions generally comparable to those of the Funds. The terms of any AIV may vary from the terms of the Funds based in part on the structure of the relevant transactions, legal requirements, and tax, accounting, business, regulatory or other considerations. Regardless of the terms of an AIV, it is possible that the applicable tax or regulatory authorities will not respect the separate identity of the AIV (apart from that of the Funds), in which case, the proposed benefits associated with establishing an AIV may not be realized.

*Parallel Funds.* The General Partner may establish parallel funds to address the needs of certain Fund limited partners or to address other tax or regulatory issues, including compliance with the Investment Company Act. A Fund may exit an investment in a portfolio company by a sale or disposition of the securities of such portfolio company while a parallel fund may exit an investment in the same portfolio company by a sale or other disposition of securities of a "blocker" corporation that holds the securities of such portfolio company. The Funds and any parallel funds may also engage in re-balancing "cross trades" pursuant to the terms of their governing documents as the relative capital commitments between the Funds and the parallel funds change during their respective fundraising periods.

*Non-United States Investments.* While not the primary investment focus of the Funds, and subject to the concentration and other limitations with respect thereto as provided in the Funds' Organizational Documents, the Funds may invest in companies whose principal executive offices, corporate headquarters or activities are outside of the United States. Risks associated with investment in any non-U.S. jurisdiction may include the following: the unpredictability of international trade patterns; the possibility of governmental actions adverse to business generally or to foreign investors in particular; the imposition or modification of controls on foreign currency exchange, repatriation of proceeds, or foreign investment; the imposition or increase of withholding or other taxes on gross sales proceeds, income and gains; potential tax filing requirements in non-U.S. jurisdictions; the imposition of potentially confiscatory levels of taxation; price volatility; the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements; governmental influence on the national and local economies; and fluctuations in currency exchange rates. In addition, the Adviser's investment team have less extensive experience with investments in non-U.S. markets. Investments by the Funds in non-U.S. portfolio companies, if any, may be denominated in currencies other than the U.S. dollar, and hence the value of such investments will depend in part on the relative strength of the U.S. dollar.

*Foreign Currency and Exchange Rate Risks.* A portion of a Fund's investments and the income received by a Fund with respect to certain investments may be denominated in non-U.S.

currencies. However, the Funds' books will be maintained, and the contributions and distributions from the Funds generally will be made, in U.S. dollars. The Funds may be affected favorably or unfavorably by exchange control regulations. Changes in foreign currency exchange rates may adversely affect the dollar value of investments, interest and dividends received by the Funds, gains and losses realized on the sale of investments and the amount of distributions, if any, to be made by the Funds. In addition, the Funds may incur costs in converting investment proceeds from one currency to another. The rates of exchange between the U.S. dollar and other currencies are determined by forces of supply and demand in the foreign exchange markets. Among the factors that may affect currency values are trade balances and other economic and financial conditions, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, government intervention, political developments and speculation. Although the General Partner may enter into hedging transactions designed to reduce such currency risks, there can be no assurance that the General Partner will be able to do so successfully or cost-effectively, and the General Partner may decide not to hedge against such risks, as it is under no obligation to do so. Investors subscribing for interests in any country in which U.S. dollars are not the local currency should note that changes in the value of the exchange between U.S. dollars and such local currency may have an adverse effect on the value, price or income of the investment to such investor. There may be foreign exchange regulations applicable to investments in foreign currencies in certain jurisdictions.

*Risks of Derivative Transactions.* The Funds' Organizational Documents generally prohibit the General Partner from making investments in uncovered options, futures contracts, commodities, commodities contracts or other derivative securities, or sell securities short in uncovered transactions. However, the Funds are permitted to acquire options, warrants and/or convertible securities (collectively, "Derivative Instruments") and engage in hedging transactions which are intended to reduce the Funds' equity, debt, currency or interest rate exposure, although there is no obligation to enter into any such transactions. The use of Derivative Instruments and hedging transactions, even when used with the intent to reduce the risks associated with the a Fund's investments, involves additional expenses as well as risks that are different than those of such Fund's direct or indirect investments, including the possible default by the counterparty to a transaction and the illiquidity of the Derivative Instrument acquired by such Fund relating thereto. Unanticipated changes in securities prices, interest rates or currency exchange rates may result in a poorer overall performance for a Fund than if it had not entered into any such derivative transaction. In addition, any hedging transaction in which a Fund enters may be imperfect, leaving such Fund exposed to some risk from the position that was intended to be protected. The successful use of hedging strategies depends upon the availability of a liquid market and appropriate hedging instruments and there can be no assurance that a Fund will be able to close out a position when deemed advisable by the General Partner. In addition, a Fund's portfolio companies may enter into derivative transactions which may expose such Fund to the risks indicated above.

*Controlled Group Risks.* Under ERISA, members of certain "controlled groups" of "trades or businesses" may be jointly and severally liable for contributions required under any member's tax-qualified defined benefit pension plan and under certain other benefit plans. Furthermore, if any member's tax-qualified defined benefit pension plan were to terminate, underfunding at termination would be the joint and several responsibility of all controlled group members,

including members whose employees did not participate in the terminated plan. Similarly, joint and several liability may be imposed for certain pension plan related obligations in connection with the complete or partial withdrawal by an employer from a multiemployer pension plan. Depending on a number of factors, including the level of ownership held by a Fund in a particular portfolio company, such Fund may be considered to be a member of one or more portfolio company's "controlled group" for this purpose.

*No Assurance of Investment Return.* The General Partner cannot assure investors that it will replicate any historical performance of any other funds (including any funds the Managing Partners were formerly associated with), and the Funds' investment returns could be substantially lower than the returns achieved by such other funds. There is no assurance that the Funds will be able to generate returns for its investors or that the returns will be commensurate with the risks of investing in the types of companies and transactions described herein or that projected or targeted returns will be achieved. The marketability and value of any such investment will depend upon many factors beyond the control of the Funds. The expenses of the Funds may exceed their income. The Funds will bear the expenses of transactions that are not consummated. In addition, the Funds may enter into agreements to consummate transactions which involve payments, such as reverse break-up fees, by the Funds in certain circumstances if the Funds do not consummate the transaction. As a result, the Funds could incur a substantial cost with no opportunity for a return.

*Restrictions on Transfer; No Market for the Funds' Interests.* Interests in the Funds will not be registered under the Securities Act, the securities laws of any U.S. state or the securities laws of any other jurisdiction, and, therefore, cannot be sold unless such interests are subsequently registered under the Securities Act and other applicable securities laws or an exemption from registration is available. The Funds have no plans, and are under no obligation, to register the interests under the Securities Act or other securities laws. No market exists for the interests, and none is expected to develop. An investor generally may not sell, assign or transfer any of its interests, rights or obligations with respect to its interest to a third party without the prior written consent of the General Partner, which the General Partner may generally grant or withhold in its sole and absolute discretion. Furthermore, a Fund's limited partner generally may not withdraw any amount from such Fund except under certain limited circumstances set forth in the Organizational Documents of such Fund. Consequently, a Fund's limited partner may not be able to liquidate its investment in the applicable Fund and must be prepared to bear the risks of owning an interest for an extended period of time.

*Misconduct or Misrepresentations of Employees and Third-Party Service Providers.* Misconduct or misrepresentations by employees of the Adviser or the General Partner or by third-party service providers could cause significant losses to the Funds. Employee misconduct may include binding the Funds to transactions that exceed authorized limits or present unacceptable risks, misappropriating assets, engaging in embezzlement, or making misrepresentations regarding any of the foregoing. In addition, employees and third-party service providers may improperly use or disclose confidential information, which could result in litigation or serious financial harm, including limiting a Fund's business prospects or future marketing activities. Despite the Adviser's and the General Partner's due diligence efforts, misconduct and intentional misrepresentations may be undetected or not fully comprehended, thereby potentially undermining such due diligence efforts. As a result, no assurances can be given that the due

diligence performed by the Adviser and the General Partner will identify or prevent any such misconduct.

*Contingent Liability on Disposition of Investments.* The vast majority of the Funds' investments will involve private portfolio companies. In connection with the disposition of an investment in a private portfolio company, a Fund may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of a business. A Fund also may be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate or with respect to certain potential liabilities or other liabilities. The obligations of a Fund would be payable from the assets of such Fund, including the unused capital commitments of such Fund's partners. If the assets of such Fund are insufficient to pay such obligations, the Fund's limited partners may be required to return distributions previously made to them in order to satisfy such obligations.

*Risks Related to Electronic Communication.* The General Partner will provide to the Funds' limited partners statements, reports and other communications relating to the Funds and/or the limited partners' interests in the Funds in electronic form, such as email or via a password protected website ("Electronic Communications"). Electronic Communications may be modified, corrupted, or contain viruses or malicious code, and may not be compatible with the Funds' limited partner's electronic system. In addition, reliance on Electronic Communications involves the risk of inaccessibility, power outages or slowdowns for a variety of reasons. These periods of inaccessibility may delay or prevent receipt of reports or other information.

*Cyber Security Breaches.* The Adviser, the General Partner and the Funds' portfolio companies depend heavily upon computer systems to perform necessary business functions. Although a variety of security measures are in place with respect to the computer systems utilized by the Adviser and the General Partner, and portfolio companies are also likely to implement security measures, these computer systems could be subject to cyber-attacks and unauthorized access, such as physical and electronic break-ins or unauthorized tampering. Like other companies, the Adviser, the General Partner, and the Funds' portfolio companies may experience threats to their respective data and systems, including malware and computer virus attacks, unauthorized access, system failures and disruptions. If one or more of these events occurs, it could potentially jeopardize the confidential, proprietary and other information processed and stored in, and transmitted through, such computer systems and networks, or otherwise cause interruptions or malfunctions in the Adviser's, the General Partner's, the Funds', or the Funds' portfolio companies' operations, which could result in damage to the Adviser, the General Partner, the Funds or the Funds' portfolio companies' reputation, financial losses, litigation, increased costs, regulatory penalties and/or customer dissatisfaction or loss.

*Government Registrations.* The Funds will not be registered under the Investment Company Act. The Investment Company Act provides certain protection to investors and imposes certain restrictions on registered investment companies, none of which will be applicable to the Funds. Neither the General Partner nor the Adviser is currently registered as a broker-dealer under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), or with the Financial Industry Regulatory Authority ("FINRA"), and is consequently not subject to the record-keeping and specific business practice provisions of the Exchange Act and the rules of FINRA. *Risks Associated with Regulatory Approvals for Acquisitions and Dispositions.* State, federal, and



foreign antitrust laws and other merger regulations could delay, limit, impede, or prevent the Funds' ability to execute proposed acquisitions and dispositions of or by portfolio companies or other investments. These risks can exist whether or not the Funds' proposed transactions trigger a mandatory notification and regulatory review. However, in transactions requiring merger notification, recent amendments to the U.S. Federal Trade Commission's Premerger Notification Rules under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 require a greater level of disclosure by private investment funds with respect to associates. Accordingly, the Funds may have to incur additional transaction costs and delays to report information regarding the Adviser, the General Partner, their respective affiliates, other possible associates, and their investments. More importantly, this additional information could cause regulators or courts to delay, impede, restructure, limit, and even prohibit proposed acquisitions by the Funds as well as their portfolio companies. While dispositions of portfolio companies to strategic buyers always can raise antitrust risks, the amendments also increase the risks related to the Funds' ability to sell portfolio companies to other financial buyers who now also may have to disclose additional information about their associates and investments in competitors which could raise antitrust concerns. For these reasons, there can be no assurance that the Funds will be able to acquire the most attractive companies, help those companies realize synergies through add on acquisitions, or exit those or other investments at the highest valuations.

*Additional Regulation and Enforcement; Litigation.* As a result of recent highly publicized financial scandals, investors, regulators and the general public have exhibited concerns over the integrity of both the U.S. financial markets and the regulatory oversight of these markets. As a result, the business environment in which the Funds operates is subject to heightened regulation. With respect to alternative asset management funds, in recent years, there has been debate in both United States and foreign jurisdictions about new rules or regulations, including increased oversight or taxation. As calls for additional regulation have increased, there has been a related increase in regulatory oversight of the trading and other investment activities of alternative asset management funds, including the Funds, which we expect to continue. Such oversight may cause the Funds to incur additional expense, may divert the attention of the General Partner and its senior management and may result in fines if the Funds are deemed to have violated any regulations.

Additional regulation could also increase the risk of third-party litigation. The transactional nature of the business of the Funds exposes the Funds, the General Partner and the Adviser generally to the risks of third-party litigation. Under a Fund's Organizational Documents, such Fund will generally be responsible for indemnifying the General Partner, the Adviser and their respective employees and related parties for costs they may incur with respect to such litigation not covered by insurance.

*Certain European Regulatory Risks.* The European Alternative Investment Fund Managers Directive (the "AIFMD") entered into force on July 21, 2011, and was required to be implemented at member state level in the European Economic Area ("EEA") on or prior to July 22, 2013. The legislation and regulations implementing the relevant provisions of the AIFMD continue to evolve and vary in part from jurisdiction to jurisdiction, their full impact on the Funds is uncertain. Interests in the Funds will not be offered at the initiative of the General Partner or its affiliates, and, accordingly, the Funds, the General Partner and the Adviser are not intended to be subject to the requirements of the AIFMD applicable to "alternative investment

funds” (“AIFs”) the interests of which are marketed at the initiative of the sponsor or manager of the AIF. If the Funds, the General Partner and/or the Adviser were to be subject to the AIFMD and related rules, the Funds, the General Partner and the Adviser may be subject to certain requirements that could restrict or otherwise affect their operations and compliance with the AIFMD and related rules could also increase the operating expenses of the Funds or require additional administrative attention from the Adviser and its personnel. The foregoing and other matters related to the AIFMD could have an adverse effect on the Funds.

*Regulatory Risks.* The healthcare industry is subject to extensive governmental regulation. This will affect most or all of the portfolio companies in which the Funds invests in various ways, either directly or indirectly, and may negatively affect the performance of the Funds. In addition, the Funds, the Adviser and their respective affiliates will be subject to governmental regulation. Such regulations may prevent the Funds from making certain investments that it otherwise would make. Regulations generally, as well as regulations more specifically addressed to the private equity industry, including tax laws and regulation, whether in the United States or abroad, could increase the cost of investing in, acquiring, holding or divesting portfolio companies, the profitability of enterprises and the cost of operating the Funds. A fund that focuses its investments in specific industries or sectors is more susceptible to developments affecting those industries and sectors than a more broadly diversified fund. Because the Funds will invest exclusively in the healthcare industry, the Funds may perform poorly in the event there are downturns in that industry. Healthcare focused companies can be adversely affected by, among other things, legislative or regulatory changes, competitive challenges, governmental approval of products and services and the availability of reimbursement from third-party payors, such as government health administration authorities, private health insurers, managed care entities and other organizations.

For example, portfolio companies handling patient medical information are expected to be subject to laws and regulations regarding patient privacy, such as HIPAA and the comprehensive privacy rules of the European Union. In addition, the development, testing, manufacturing and marketing of certain products by healthcare companies are subject to extensive regulation by numerous governmental authorities in the United States and other countries. Although the Funds do not expect to invest in Class III medical devices and drugs that are currently regulated by the U.S. Food and Drug Administration (the “FDA”), there can be no assurances that the products and services that fall within the Funds’ investment focus will not be subject to FDA or comparable foreign regulation. While the Funds intend to make investments in companies that comply with relevant state, federal and foreign laws, certain aspects of the operations of these companies may not have been subject to judicial or regulatory interpretation. An adverse review or determination by any one of such authorities, or adverse changes in the regulatory requirements or reimbursement programs, could have a material adverse effect on the operations of the healthcare-related companies in which the Funds invest.

In both U.S. and foreign markets, sales of healthcare products and payment for healthcare procedures depend in significant part on the availability of reimbursement from third-party payors, such as government health administration authorities, private health insurers, managed care entities and other organizations. The success of the portfolio companies in which the Funds invest could be affected by reimbursement determinations made by governmental and third-party payors, whether or not the products or services offered by these portfolio companies are directly

reimbursed by third-party payors.

*Expedited Transactions.* Investment analyses and decisions by the General Partner and the Adviser may be undertaken on an expedited basis in order for the Funds to take advantage of available investment opportunities, especially given the current market for healthcare investment opportunities, which is fast-paced and competitive. In such cases, the information available to the General Partner or the Adviser at the time of the investment decision may be limited, and the General Partner and the Adviser may not have access to the detailed information necessary for a thorough evaluation of the investment opportunity. Furthermore, the General Partner and the Adviser may conduct their due diligence activities over a very brief period.

The foregoing list of risk factors and conflicts does not purport to be a complete enumeration or explanation of the risks involved in the Adviser's investment strategy.

## **Item 9. Disciplinary Information**

The Adviser and its management persons have not been the subject of any material legal proceeding required to be disclosed in response to this item.

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

### **Related General Partner**

A related person of Leerink Transformation Partners LLC serves as the Funds' General Partner. For a description of material conflicts of interest created by this relationship, as well as a description of how such conflicts are addressed, please see Item 11 below.

### **Affiliated Advisers**

The Adviser currently has two affiliated advisers, which are:

- Leerink Revelation Partners, LLC ("LRP"); and
- Leerink Pharmaceutical Investments LLC ("LPI" and, together with LRP, the "Affiliated Advisers").

A Fund may from time to time participate in transactions alongside funds advised by the Affiliated Advisers. For a description of material conflicts of interest created by the relationship among the Adviser and the Affiliated Advisers, as well as a description of how such conflicts are addressed, please see Item 11 below.

### **Affiliated Broker-Dealers**

The Adviser is under common control with the Affiliated Broker, Leerink Partners LLC, a FINRA member broker-dealer. For a description of material conflicts of interest created by the Adviser's relationship with the Affiliated Broker, as well as a description of how such conflicts are handled, please see Item 11 below.

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

### **Code of Ethics**

The Adviser has adopted a written Code of Ethics that is applicable to all of its managing directors, principals, partners and officers (or any person performing similar functions), or employee (collectively, “Adviser Personnel”). The Code of Ethics, which is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940 (as amended, the “Advisers Act”), establishes guidelines for professional conduct and personal trading procedures, including certain pre-clearance and reporting obligations. Adviser Personnel and their families and households may purchase investments for their own accounts, including the same investments as may be purchased or sold for a Fund, subject to the terms of the Code of Ethics. Under the Code of Ethics, Adviser Personnel are also required to file certain periodic reports with the Adviser’s Chief Compliance Officer as required by Rule 204A-1 under the Advisers Act. The Code of Ethics helps the Adviser detect and prevent potential conflicts of interest.

Adviser Personnel who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, demotion, suspension or dismissal. Adviser Personnel are also required to promptly report any violation of the Code of Ethics of which they become aware. Adviser Personnel are required to annually certify compliance with the Code of Ethics.

A copy of the Code of Ethics is available to any client or prospective client upon written request to: J. Eric Anderson at [eric.anderson@leerink.com](mailto:eric.anderson@leerink.com) or Elizabeth Staley at [liz.staley@leerinkcapital.com](mailto:liz.staley@leerinkcapital.com).

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

The Adviser and certain employees and affiliates of the Adviser may invest in and alongside the Funds, either through the General Partner or as direct investors in the Funds. A Fund or its General Partner, as applicable, may reduce all or a portion of the Advisory Fee and Carried Interest related to investments held by such persons. For further details regarding these arrangements, as well as conflicts of interest presented by them, please see “Conflicts of Interest” immediately below.

Due in part to the fact that potential investors in a Fund (including purchasers of a limited partner’s interests in a secondary transaction) or a co-investment opportunity (see below) may ask different questions and request different information, the Adviser may provide certain information to one or more prospective investors that it does not provide to all of the prospective investors or limited partners.

### **Conflicts of Interest**

The Adviser and its related entities engage in a broad range of activities, including investment activities for their own account and for the account of other investment funds, and providing

transaction-related, investment advisory, management and other services to funds and operating companies. In the ordinary course of conducting its activities, the interests of a Fund may conflict with the interests of the Adviser, LPI, LRP, and the Affiliated Funds (as defined below under “*Allocation of Investment Opportunities Among Clients*”), and the Affiliated Broker. Certain of these conflicts of interest, as well a description of how the Adviser addresses such conflicts of interest, can be found below.

The Adviser may, from time to time, establish certain investment vehicles through which certain employees of the Adviser or its affiliates, certain business associates, other “friends of the firm,” or other persons may invest alongside one or more Funds in one or more investment opportunities. Such vehicles, referred to herein as “co-investment vehicles,” generally are contractually required, as a condition of investment, to purchase and sell each investment opportunity at substantially the same time and substantially the same terms as the applicable Fund that is invested in that investment opportunity. Some co-investment vehicles may not pay Advisory Fees or Carried Interest.

### *Resolution of Conflicts*

In the case of all conflicts of interest, the Adviser’s determination as to which factors are relevant, and the resolution of such conflicts, will be made using the Adviser’s best judgment, but in its sole discretion. In resolving conflicts, the Adviser may consider various factors, including the interests of the applicable Funds with respect to the immediate issue and/or with respect to their longer term courses of dealing. Conflicts will not necessarily be resolved in favor of the Funds. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors may mitigate, but will not eliminate, conflicts of interest:

- (1) A Fund will not make an investment unless the Adviser believes that such investment is an appropriate investment considered solely from the viewpoint of such Fund;
- (2) Many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions contained in the Organizational Documents for the Funds;
- (3) Each of the Funds have established an advisory committee, consisting of representatives of such Fund’s investors (each, an “Advisory Board”). In certain situations specified in the Organizational Documents, the General Partner is required to seek consent from the Advisory Board. In other situations, the General Partner may do so in its sole discretion;
- (4) Prior to subscribing for interests in a Fund, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of such Fund; and
- (5) The Adviser and certain of its affiliates have adopted written policies establishing information “walls” designed to limit communication between business units investing in equity securities and debt securities of companies, except with respect to

communications between LTP and LRP. These policies restrict the transfer of confidential information between these business units, subject to certain exceptions provided in the policies. These policies also establish procedures for communications among employees of different business units to guard against unlawful and inappropriate disclosure of material, nonpublic information.

### *Conflicts*

The material conflicts of interest encountered by a Fund include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by a Fund. Other conflicts may be disclosed throughout this brochure and the brochure should be read in its entirety for other conflicts.

#### *Conflicts Relating to the Affiliated Broker*

Leerink Partners LLC, the Affiliated Broker, is a leading healthcare investment bank. The Affiliated Broker's interests and/or the interests of its clients may conflict with the interests of the Funds and their investors. Nothing in a Fund's Organizational Documents precludes or in any way limits the activities of the Affiliated Broker, including its ability to buy or sell interests in, or provide financing to, portfolio companies, or advise portfolio companies or competitors of portfolio companies, for its own account or for the accounts of others. For instance, the Affiliated Broker may from time to time perform investment banking, financial advisory or other services for clients who may have interests that conflict with those of portfolio companies or the Funds (e.g., the Affiliated Broker may advise a competitor or potential acquirer of a portfolio company held by a Fund or a client that might otherwise have interests adverse to the interests of a Fund's portfolio companies). The Affiliated Broker's activities are carried out generally without reference to securities held directly or indirectly by a Fund although such activities may have an effect on the value of the securities so held.

In addition, the Affiliated Broker has in the past and may in the future collect investment banking fees or other fees from a company in which a Fund has an interest, and such fees will not benefit investors in such Fund. Depending upon the investment decisions made by the Adviser in respect of a portfolio company, the amount of such compensation or other benefits to the Affiliated Broker may be greater than it would have been had the Adviser made different investment decisions that may also have been appropriate for a Fund.

#### *Restrictions on the Adviser's Use of Leerink's Resources*

The Adviser, LPI, LRP, the Affiliated Broker, and their affiliates are all under common control of Leerink Holdings LLC (collectively the "Leerink Group"). Leerink Group's experience in and access to capital market investing globally is expected to help the Adviser evaluate certain prospective investments and to make informed investment decisions. In the diligence process, it is not uncommon for the global Leerink Group network, including research analysts and experts within Leerink Group's other divisions, to provide valuable insights related to a particular transaction, thereby enhancing the Adviser's ability to conduct diligence and respond to investment opportunities in a timely and thoughtful manner. Neither the Funds nor the Funds' limited partners shall bear the costs of any such support.

Such use of Leerink Group's resources, however, is subject to Leerink Group's informational barriers and other internal policies (as described below) designed to prevent conflicts of interest and disclosure of material information regarding issuers of securities that has not been publicly disseminated ("MNPI"). As a result of these informational barriers and policies, it is possible that the Adviser will not have access to, or be able to manage the Funds with the benefit of, all relevant information possessed by Leerink Group or its employees. For instance, Leerink Group may have financial advisory or other investment banking relationships with parties that have interests in companies in which the Funds have an investment or is contemplating an investment, and as a result, Leerink Group may have received information concerning those companies. In these types of situations, Leerink Group will be prohibited from disclosing such information, or the fact that Leerink Group is in possession of such information, to the Funds or from using such information on the Funds' behalf. In addition, the implementation of these information barriers may adversely affect the Adviser's access to resources on the other side of the information barrier.

In the ordinary course of operations, Leerink Group and/or certain of its businesses may have access to MNPI. Leerink Group has implemented policies and procedures (the "MNPI Policies") that are designed to comply with the requirements of the Advisers Act and other federal securities laws and prevent the misuse or disclosure of MNPI by Leerink Group and its personnel. These policies may curtail the Adviser's access to resources or information that might otherwise benefit the Funds. Furthermore if the MNPI policies are not effective in restricting the disclosure of MNPI, the Adviser may be restricted from taking actions that would otherwise benefit the Funds. For instance, the Funds may not be able to initiate a transaction or sell an investment that it otherwise might have initiated if the Adviser receives MNPI relevant to such investment. On the other hand, if, because of the MNPI policies, Leerink Group or the Adviser decline access to (or otherwise do not receive) MNPI regarding an issuer, the Adviser may base its investment decisions with respect to assets of such issuer solely on public information, thereby limiting the amount of information available to the Adviser in connection with such investment decisions.

#### *Service on Boards of Directors, Material Non-Public Information, Etc.*

Individual members of the Adviser may serve as officers or directors of portfolio companies. In their capacity as officers or directors (or even simply by virtue of a Fund's status as a significant shareholder of a portfolio company), such individuals may become subject to fiduciary or other duties which adversely affect such Fund. For example, a Fund may be unable to sell or otherwise dispose of portfolio securities if a member of the Adviser is in possession of material, non-public information relating to the issuer thereof. Nevertheless, a Fund's Organizational Documents will not preclude members of the Adviser from serving as officers or directors of portfolio companies or otherwise acquiring material, non-public information regarding portfolio companies. Conversely, a Fund's Organizational Documents will not require that members of the Adviser serve as officers or directors of portfolio companies, and there can be no assurance that the General Partner or the Adviser will have a legal right to influence the management of any portfolio company.

#### *Conflicting Interests of Limited Partners*

The Funds have a diverse range of limited partners that may have conflicting interests stemming from differences in investment preferences, tax status, and regulatory status. The Adviser will consider the objectives of the Funds as a whole when making investment decisions with respect to the selection, structuring, and sale of portfolio investments. However, such decisions may be more beneficial for one limited partner than for another limited partner.

#### *Allocation of Investment Opportunities Among Clients*

The Adviser currently advises only the Funds. The Funds are subject to investment allocation requirements (collectively, “Investment Allocation Requirements”), which are set forth in the Fund’s Organizational Documents. As noted in Item 4 above, the Transformation Fund and the MA Fund both invest in healthcare companies primarily by making equity and equity-related investments in commercial-stage companies that are focused in the healthcare technology and healthcare services sectors; however, the MA Fund invests only in such companies if they are also (1) headquartered in the Commonwealth of Massachusetts, (2) have at least 25 employees or greater than 50% of their employees in the Commonwealth of Massachusetts or (3) have a written business plan at the time of the MA Fund’s investment with a stated intention to, within 12 months of such investment, either move to, or have at least 25 employees in, the Commonwealth of Massachusetts (each such investment opportunity, a “MIC Mandate Opportunity”). The Funds will invest together in each investment that constitutes a MIC Mandate Opportunity at the same time and on substantially the same terms and conditions. Except as otherwise approved by the applicable Advisory Board, to the extent practicable and subject to any adjustments necessary to accommodate the excuse, exclusion, default or withdrawal provisions of the Funds or if an investment is restricted by a Fund’s Organizational Documents, investment opportunities that are allocated to the Funds shall be allocated 50% to the Transformation Fund and 50% to the MA Fund. To the extent that less than 50% of an investment opportunity is allocated to the Transformation Fund or the MA Fund as a result of any such adjustments, then such excess investment opportunity may be offered to any one or more of the Funds and/or other third parties, as determined by the Adviser or its affiliates in good faith. In making such determination, the Adviser may consider some or all of a wide range of factors, which include, but are not necessarily limited to, one or more of the following:

- Each Fund’s investment objectives and investment focus;
- Transaction sourcing;
- Each Fund’s liquidity and reserves;
- Each Fund’s diversification;
- Lender covenants and other limitations;
- Amount of capital available for investment by each Fund as well as each Fund’s projected future capacity for investment;
- Each Fund’s targeted rate of return;
- Stage of development of the prospective portfolio company or other investment and anticipated holding period of the portfolio company;
- Composition of each Fund’s portfolio;
- The suitability as a follow-on investment for a current portfolio company of a Fund;
- The availability of other suitable investments for each Fund;
- Risk considerations;
- Cash flow considerations;



- Asset class restrictions;
- Industry and other allocation targets;
- Minimum and maximum investment size requirements;
- Tax implications;
- Legal, contractual or regulatory constraints; and
- Any other relevant limitations imposed by or conditions set forth in the Organizational Documents of each Fund.

The Adviser will not allocate investment opportunities based, in whole or in part, on (i) the relative fee structure or amount of fees paid by any Fund or (ii) the profitability of any Fund. In addition, executive officers and other personnel of the Adviser, LCP, and their affiliates invest indirectly in and may be permitted to invest directly in the Funds and may therefore participate indirectly in investments made by the Funds. The existence of these varying circumstances may present conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a Fund.

The Affiliated Advisers advise funds whose investment objectives may overlap to some extent with the investment objectives of the Funds. In addition, Leerink Capital Partners LLC (“LCP”), a direct owner of the Adviser, LPI and LRP, will from time to time become aware of investment opportunities that may be appropriate for the Funds, although they will not actively seek to source such opportunities. None of LCP, LPI, LRP, or the Affiliated Broker has any duty to offer to the Funds any investment opportunities that they source and, therefore, the Funds may not have an opportunity to participate in any such opportunities.

#### *Allocation of Co-Investment Opportunities and Secondary Transactions*

The Adviser will determine if the amount of an investment opportunity exceeds the amount the Adviser determines would be appropriate for the Funds (after taking into account any portion of the opportunity allocated by contract to certain participants in the applicable deal, such as co-sponsors, consultants and advisers to the Adviser and/or the Funds or management teams of the applicable portfolio company, certain strategic investors and other investors whose allocation is determined by the Adviser to be in the best interest of the applicable Fund), and any such excess may be offered to one or more co-investors pursuant to the procedures included in such Funds’ Organizational Documents and as set forth in the following paragraphs.

There can be no assurance that limited partners of the Funds will be provided with the opportunity to participate in any co-investment opportunities. The allocation of co-investment opportunities could be made to one or more persons or entities (including, but not limited to, certain limited partners) for any number of reasons, which may not be in the best interests of the relevant Fund or any individual limited partner. Generally, subject to any Investment Allocation Requirements (which do not include non-binding acknowledgements of interest in co-investment opportunities), (a) no limited partner of the Funds will have a right to participate in any co-investment opportunity, (b) decisions regarding whether and to whom to offer co-investment opportunities are made in the sole discretion of the General Partner, (c) co-investment opportunities typically will be offered to some (and not other) limited partners of the Funds, in

the sole discretion of the General Partner, (d) certain persons or entities other than limited partners of the Funds may, in the sole discretion of the General Partner, be offered co-investment opportunities, (e) co-investors may purchase their interests in a portfolio company at the same time as the Funds or may purchase their interests from such Fund after such Fund has consummated its investment in the portfolio company (also known as a post-closing sell down or transfer). Certain investors in the Funds may receive side letters providing that they may be offered co-investment opportunities.

In addition, the Funds may co-invest with third parties through partnerships, joint ventures or other entities or arrangements. Such investments may involve risks not present in investments where a third-party is not involved, including the possibility that a third-party co-investor or partner may at any time have economic or business interests or goals that are inconsistent with those of the Funds, or may be in a position to take action contrary to the investment objectives of the Funds. In addition, the Funds may in certain circumstances be liable for actions of its third-party co-investor or partner.

In exercising its discretion to allocate co-investment opportunities with respect to a particular investment among the Funds and other potential co-investors, the Adviser may consider some or all of a wide range of factors, which include, but are not limited to, one or more of the following:

- The Adviser's evaluation of the size and financial resources of the potential co-investment party and the Adviser's perception of the ability of that potential co-investment party (in terms of, for example, staffing, expertise and other resources) to efficiently and expeditiously participate in the investment opportunity with the relevant Fund(s) without harming or otherwise prejudicing the Fund(s), in particular when the investment opportunity is time-sensitive in nature, as is typically the case;
- Any confidentiality concerns the Adviser has that may arise in connection with providing the other account or person with specific information relating to the investment opportunity in order to permit such potential co-investment party to evaluate the investment opportunity;
- The Adviser's perception of its past experiences and relationships with the potential co-investment party, such as the willingness or ability of the potential co-investment party to respond promptly and/or affirmatively to potential investment opportunities previously offered by the Adviser;
- The Adviser's perception of whether the investment opportunity may subject the potential co-investment party to legal, regulatory, reporting, public relations, media or other burdens that make it less likely that the other account or person would act upon the investment opportunity if offered;
- The Adviser's evaluation of whether the profile or characteristics of the potential co-investment party may have an impact on the viability or terms of the proposed investment opportunity and the ability of the Funds to take advantage of such opportunity (for example, if the potential co-investment party is involved in the same industry as a target

company in which a Fund wishes to invest, or if the identity of the potential co-investment party, or the jurisdiction in which the potential co-investment party is based, may affect the likelihood of a Fund being able to capitalize on a potential investment opportunity); and

- Whether the Adviser believes, in its sole discretion, that allocating investment opportunities to a potential co-investment party will help establish, recognize, strengthen and/or cultivate relationships that may provide indirectly longer-term benefits to current or future Funds and/or the Adviser.

The Adviser's exercise of its discretion in allocating investment opportunities with respect to a particular investment among the persons, including the Funds, potential co-investors, Adviser Investors and Third Parties, and in the manner discussed above may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to other such persons. While the Adviser will determine how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable to such Fund as they would be if the conflicts of interest to which the Adviser is subject, discussed herein, did not exist.

In the event the Adviser determines to offer an investment opportunity to co-investors, there can be no assurance that the Adviser will be successful in offering a co-investment opportunity to a potential co-investor, in whole or in part, that the closing of such co-investment will be consummated in a timely manner, that the co-investment will take place on the terms and conditions that will be preferable for a Fund or that expenses incurred by a Fund with respect to the syndication of the co-investment will not be substantial. In the event that the Adviser is not successful in offering a co-investment opportunity to potential co-investors, in whole or in part, a Fund may consequently hold a greater concentration and have exposure in the related investment opportunity than was initially intended, which could make such Fund more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect thereto.

In addition, to the extent the Adviser has discretion over a secondary transfer of interests in a Fund pursuant to the such Fund's Organizational Documents, or is asked to identify potential purchasers in a secondary transfer, the Adviser will do so in its sole discretion, generally taking into account the following factors:

- The Adviser's evaluation of the financial resources of the potential purchaser, including its ability to meet capital contribution obligations;
- The Adviser's past experiences and relationships with the potential purchaser, including its belief that the potential purchaser would help establish, recognize, strengthen and/or cultivate relationship that may provide longer-term benefits to current or future Funds and/or the Adviser;

- Whether the potential purchaser would subject the Adviser, the applicable Fund, or their affiliates to legal, regulatory, reporting, public relations, media or other burdens;
- Requirements in such Fund's Organizational Documents; and
- Such other facts as it deems appropriate under the circumstances in exercising such discretion.

### *Conflicts Related to Purchases and Sales*

The Adviser may, from time to time, pursue a portfolio investment involving (directly or indirectly) new or follow-on investments in entities in which a Fund or an Affiliated Fund has made or will make investments or capital commitments. Such investments or capital commitments may have been or may be made at different prices and on different terms and may have been made in a different type of security of such entity. Decisions about what action should be taken in a troubled situation, including whether or not to enforce claims, whether or not to advocate or initiate a restructuring or liquidation inside or outside of bankruptcy, and the terms of any work-out or restructuring may raise conflicts of interest, particularly in funds that have invested in different securities within the same portfolio company. In the event that such investments are made by a Fund, the interests of such Fund may be in conflict with the interest of another Fund or Affiliated Fund, particularly in circumstances where the underlying company is facing financial distress. No assurance can be given that a Fund will realize identical economic results from an investment in a portfolio company held by another Fund or an Affiliated Fund, and as a result thereof the interest of the other Fund or Affiliated Fund, as the case may be, and the interest of such Fund in restructuring or exercising rights with respect to or realizations from a portfolio investment may differ.

Investments by both the Fund and another Fund or an Affiliated Fund in a portfolio company may also raise the risk of using assets of the Fund to support positions taken by such other Fund or Affiliated Fund.

Employees and related persons of the Adviser and its affiliates have made or may make capital investments in or alongside a Fund, and therefore may have additional conflicting interests in connection with these investments. There can be no assurance that the return of a Fund in such transaction would be equal to and not less than it would have been had such conflict not existed.

A Fund may, from time to time, invest in opportunities that the other Fund or Affiliated Funds have declined, and likewise, a Fund may decline to invest in opportunities in which the other Fund or Affiliated Funds invested.

From time to time the Adviser may, in its discretion, enter into transactions with investors in one or more Funds to dispose of all or a portion of certain investments held by one or more Funds. In exercising its discretion to select the purchaser(s) of such investments, the Adviser may consider some or all of the factors listed above under "*Allocation of Co-Investment Opportunities and Secondary Transactions*". The sales price for such transactions will be mutually agreed to by the Adviser and such purchaser(s); however, determinations of sales prices

involve a significant degree of judgment by the Adviser. Although the Adviser is not obligated to solicit competitive bids for such sales transaction or to seek the highest available price, it will first determine that such transaction is in the best interests of the applicable Fund(s), taking into account the sales price and the other terms and conditions of the transaction. There can be no assurance that such transaction will ultimately prove to be the most profitable or advantageous course of action for the applicable Fund(s). Any such transactions will comply with the Organizational Documents of the applicable Fund(s).

A Fund may sell down an interest in its portfolio companies to co-investors. Subject to the Organizational Documents, the Adviser may charge (or may decide not to charge) a co-investor (such as an investor in a Fund or Third Party) interest costs for the time period between the closing of the applicable Fund's investment in a portfolio company to the date of the transfer of interests in such portfolio company to the applicable co-investor.

### *Cross-Transactions*

In certain cases, the Adviser may cause a Fund to purchase investments from another Fund, or it may cause a Fund to sell investments to another Fund. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, a Fund may not receive the best price otherwise possible, or the Adviser might have an incentive to improve the performance of one Fund by selling underperforming assets to another Fund. Additionally, in connection with such transactions, the Adviser (i) may have significant investments, or intentions to invest, in the Fund that is selling and/or purchasing such an investment or (ii) otherwise have a direct or indirect interest in the investment (such as through certain other participations in the investment). The Adviser may receive management or other fees in connection with their management of the relevant Fund involved in such a transaction, and may also be entitled to share in the investment profits of the relevant Fund. To address these conflicts of interest, in connection with effecting such transactions, the Adviser will follow the Investment Allocation Requirements of the relevant Fund. To the extent such matters are not addressed in the Investment Allocation Requirements, the Advisory Boards of the Funds in consultation with the Adviser's Investment Team (the "Investment Team"), will be responsible for confirming that the Adviser (i) considers its respective duties to each Fund, (ii) determines whether the purchase or sale and price or other terms are comparable to what could be obtained through an arm's length transaction with a third party on commercially reasonable terms, and (iii) obtains any required approvals of the transaction's terms and conditions. The Adviser will not directly or indirectly receive any commission or other transaction-based compensation for effecting any such transaction, and the Adviser will not affect any such transaction for any Fund where the Adviser is deemed to own more than 25% of such Fund, unless such transaction complies with the requirements of the Adviser's principal transactions policy, as described below.

### *Principal Transactions*

Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a "principal transaction"), the Adviser must

make certain disclosures to the client of the terms of the proposed transaction and obtain the client's consent to the transaction. In connection with the Adviser's management of the Funds, the Adviser and its affiliates may engage in principal transactions. The Adviser has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including that disclosures required by Section 206 of the Advisers Act be made to the applicable Fund(s) regarding any proposed principal transactions and that any required prior consent to the transaction be received.

### *Management of the Funds*

The Adviser manages two Funds that have investment objectives similar to each other. The Adviser expects that it or its personnel will in the future establish one or more additional investment funds with investment objectives substantially similar to those of the current Funds. The Advisers ability to do so is governed by the Funds' Organizational Documents. Allocation of available investment opportunities between the Funds and any such investment fund could give rise to conflicts of interest. See "*Allocation of Investment Opportunities Among Clients*" above. In addition, employees of the Adviser responsible for managing the Funds have responsibilities with respect to other Funds managed by the Adviser and will have responsibilities to funds that may be raised in the future or to proprietary investments made by the Adviser and/or its principals of the type made by a Fund. Conflicts of interest may arise in allocating time, services or functions of these officers and employees.

### *Follow-on Investments*

Investments to finance follow-on acquisitions may present conflicts of interest, including determination of the equity component and other terms of the new financing as well as the allocation of the investment opportunities in the case of follow-on acquisitions by one Fund in a portfolio company in which another Fund or an Affiliated Fund has previously invested. In addition, a Fund may participate in releveraging and recapitalization transactions involving portfolio companies in which another Fund or an Affiliated Fund has already invested or will invest. Conflicts of interest may arise, including determinations of whether existing investors are being cashed out at a price that is higher or lower than market value and whether new investors are paying too high or too low a price for the company or purchasing securities with terms that are more or less favorable than the prevailing market terms.

### *Conflicts Relating to the Adviser*

The Adviser generally may, in its discretion, contract with any related person of the Adviser (including but not limited to a portfolio company of a Fund) to perform services for the Adviser in connection with its provision of services to the Funds. When engaging a related person to provide such services, the Adviser may have an incentive to contract with the related person even if another person may be more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser generally may, in its discretion, recommend to a Fund or to a portfolio company thereof (in response to a solicitation for a recommendation or otherwise) that it contract for

services with (i) the Adviser or a related person of the Adviser (including but not limited to a portfolio company of a Fund) or (ii) an entity with which the Adviser or its affiliates or a member of their personnel has a relationship or from which the Adviser or its affiliates or their personnel otherwise derives financial or other benefit. When making such a recommendation, the Adviser may, because of its financial or other business interest, have an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

The Adviser, its affiliates, and partners, officers, principals and employees of the Adviser and its affiliates may buy or sell securities or other instruments that the Adviser has recommended to Funds. In addition, officers, principals and employees may buy securities in transactions offered to but rejected by Funds. A conflict of interest may arise because such investing Adviser personnel will, for some investments, benefit from the evaluation, investigation, and due diligence undertaken by the Adviser on behalf of the Fund. In such circumstances, the investing Adviser personnel will not share or reimburse the relevant Fund(s) and/or the Adviser for any expenses incurred in connection with the investment opportunity. Officers and employees may also buy securities in other investment vehicles (including private equity funds, hedge funds, real estate funds and other similar investment vehicles) which may include potential competitors of the Funds. Such transactions are subject to the policies and procedures set forth in the Adviser's Code of Ethics and investors will not benefit from any such investments. The investment policies, fee arrangements and other circumstances of these investments may vary from those of the Funds. If officers, principals and employees of the Adviser have made large capital investments in or alongside the Funds they may have conflicting interests with respect to these investments.

Because certain expenses are paid for by a Fund and/or its portfolio companies or, if incurred by the Adviser, are reimbursed by a Fund and/or its portfolio companies, the Adviser may not necessarily seek out the lowest cost options when incurring (or causing a Fund or its portfolio companies to incur) such expenses.

### *Fee Structure*

Because there is a fixed investment period after which capital from investors in the Funds may only be drawn down in limited circumstances and because Advisory Fees are, at certain times during the life of the Funds, based upon capital invested by the Funds, this fee structure may create an incentive to deploy capital when the Adviser may not otherwise have done so.

Additionally, as discussed above in Item 6, the General Partner of the Funds is entitled to Carried Interest under the terms of the Organizational Documents of the Funds. The General Partner is an affiliate of the Adviser. The existence of the General Partner's Carried Interest may create an incentive for the General Partner to cause the Funds to make more speculative investments than it would otherwise make in the absence of performance-based compensation.

Pursuant to the Organizational Documents, the General Partner may be required to return excess amounts of Carried Interest as a "clawback". This clawback obligation may create an incentive for the General Partner to defer disposition of one or more investments or delay the liquidation of

a Fund if the disposition and/or liquidation would result in a realized loss to such Fund or would otherwise result in a clawback situation for the General Partner.

### *Providers of Operations Support*

The General Partner and the portfolio companies will from time to time retain other companies and individuals (“Operations Support Providers”), which may be affiliates of the General Partner, employees of such affiliates, portfolio companies of other of Affiliated Funds, third party consultants (including specialized consultants, external executives, and industry advisory roundtable members), “operating partners” or “senior advisors”. The Operations Support Providers are engaged to provide operational support, specialized operations and consulting services and similar or related services to, or in connection with, one or more portfolio companies in relation to the identification, acquisition, holding, improvement and disposition of such portfolio companies (“Operations Support Services”). These services may be high level insight, or extensive day-to-day roles, and may include support to the General Partner or portfolio companies regarding, among other things, the company’s management (including serving in management positions or participating in determining corporate strategy), the company’s supply chain, revenue and margin management (including determining sales/marketing strategy and retail strategy), data intelligence, finance (including generating metrics and reporting and business restructuring), human capital management (including recruiting personnel and determining executive/incentive compensation), information technology, corporate communications, customer service, sustainability (including, strategy, policy and reporting development), real estate matters and similar operational matters. The nature of the relationship with each such Operations Support Provider and the time devotion requirements of each such Operations Support Provider may vary significantly. These arrangements may be memorialized in a formal written agreement or may be informal and are negotiated individually, depending upon the anticipated Operations Support Services to be provided. Operations Support Providers may be offered the ability to co-invest alongside Funds, including in investments in which such Operations Support Provider is involved or participates in the management thereof.



Pursuant to the Organizational Documents of the Funds, fees and expenses associated with Operations Support Services (“Operations Expenses”) are paid and/or reimbursed by portfolio companies and/or the Funds. Operations Expenses (including Operations Expenses incurred in connection with an affiliated Operations Support Provider) will be determined at the discretion of the Adviser taking into account the particular Operations Support Services, may include an annual fee or retainer, a discretionary bonus, a profits or equity interest in the Funds and/or portfolio company or other incentive-based compensation to the Operations Support Provider, and may otherwise be determined according to one or more methods, including the value of the time (including an allocation for overhead and other fixed costs) of the Operations Support Provider, a percentage of the value of the portfolio company, the invested capital exposed to such portfolio company, amounts charged by other providers for comparable services and/or a percentage of cash flows from such companies. The determination of whether a service is an Operations Support Service will be made by the Adviser, in its sole discretion, but will generally be based on whether third parties often provide such services to investment advisers or companies. Operations Expenses may also be incurred in respect of portfolio companies prior to the closing of the investment. In the event one or more Operations Support Providers (directly or indirectly) is providing services with respect to the Funds, such Operations Expenses will be allocated as determined by the Adviser, as applicable in a fair and equitable manner. To the extent any such Operations Expenses are payable to any affiliated Operations Support Provider by the Funds or a portfolio company, such Operations Expenses will not reduce any fees otherwise payable to the Adviser or its affiliates so long as (in the case of Operations Expenses payable to the Adviser, the General Partner or any Principal) the amount and terms of such Operations Expenses are within the customary range for comparable services, as determined by the General Partner in good faith. The General Partner’s good faith determination as to whether a service is an Operations Support Service, the categorization of any fees and expenses (e.g., as Operations Expenses) and the allocation of such fees and expenses shall be binding on a Fund and its investors.

#### *Diverse Membership*

The investors in the Funds are expected to include U.S. taxable and tax-exempt entities, and institutions from jurisdictions outside of the United States. Such investors often have conflicting investment, tax and other interests with respect to their investments in a Fund. The conflicting interests among the investors generally relate to or arise from, among other things, the nature of investments made by a Fund, the structuring of the acquisition of investments and the timing of the disposition of investments. As a consequence, conflicts of interest arise in connection with decisions made by the Adviser or its affiliates, including with respect to the nature or structuring of investments, that are more beneficial for one investor than for another investor, especially with respect to investors’ individual tax situations. In selecting and structuring investments appropriate for a Fund, the Adviser will consider the investment and tax objectives of the applicable Fund, not the investment, tax or other objectives of any investor individually.

#### *Business with Portfolio Companies and Investors*

Given the collaborative nature of the Adviser's business and the portfolio companies in which the Funds have invested, there are often situations where the Adviser is in the position of recommending portfolio company services to other portfolio companies of the Funds or funds managed by the Affiliated Advisers, which may involve fees, commissions, servicing payments and/or discounts to the Adviser, an affiliate, or a portfolio company. The Adviser will generally have a conflict of interest in making such recommendations, in that the Adviser has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for the Funds, while the products or services recommended may not necessarily be the best available to the portfolio companies held by the Funds. The benefits received by a portfolio company providing a service may be greater than those received by the Fund(s) and its portfolio companies receiving the service.

The Adviser generally has an incentive to recommend the products or services of certain investors in the Funds, certain Third Parties, or their related businesses to the Funds or their portfolio companies for use or purchase, even though the products or services recommended may not necessarily be the best available to the Funds or the portfolio companies.

Portfolio companies controlled by a Fund may provide services to certain Fund investors. The Adviser may have an incentive to cause the portfolio company to favor those investors relative to other portfolio company clients or customers in terms of pricing or otherwise, which could adversely affect the portfolio company's profitability to the Fund. Additionally, the portfolio company could recommend to its clients or customers that they invest in a Fund.

The Advisers and/or its affiliates may engage in business opportunities arising from a Fund's investment in a portfolio company (for example, without limitation, entering into a joint venture with a portfolio company or making a proprietary investment in a portfolio company). This creates a conflict of interest, as such interests are a benefit arising from the Fund's investment and may vary from the applicable Fund's interest (e.g., whether to make a follow-on investment and, if so, how much should be allocated to the Fund).

In certain instances, a Fund's portfolio company may compete with another Fund's portfolio company. A conflict of interest may arise in these instances because advice and recommendations provided by the Adviser to a portfolio company may have adverse consequences to a competitor portfolio company owned by another Fund. When providing advice to any such portfolio company that is a competitor of another Fund's portfolio company, the Adviser will not consider the interests of, or potential consequences to, such competitor portfolio company.

The Adviser and/or its affiliates may engage in business with certain service providers, including for example, investment bankers, outside legal counsel and pension consultants, who are investors in Funds and/or who provide services (including mezzanine and/or lending arrangements) to the Adviser, the Funds, portfolio companies, and/or businesses that are competitors of the Adviser. Such engagement may be concurrent with an investor's admission to a Fund, or during the term of such investor's investment in such Fund. This creates a conflict of interest, as the Adviser may give such investor preferred economics or other terms with respect to its investment in a Fund, or may have an incentive to offer such investor co-investment

opportunities that it would not otherwise offer to such investor. The Adviser may also have a conflict of interest with the Funds in recommending the retention or continuation of a service provider to the Funds or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider will continue to invest in the Funds or will provide the Adviser information about markets and industries in which the Adviser operates or is interested or will provide other services that are beneficial to the Adviser. There is a possibility that the Adviser, because of such belief or for other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person.

Certain members of the Funds' Advisory Boards are, or in the future may be, officers or directors of, or otherwise affiliated with, investors in another Fund. The General Partner will from time to time utilize the services of investors and their affiliates on an arm's length basis with commercially reasonable terms, as it deems appropriate.

#### *Positions with Portfolio Companies*

Employees of the Adviser may serve as directors of portfolio companies. While conflicts of interest may arise in the event that such employee's fiduciary duties as a director conflicts with those of a Fund, it is expected that the interests will be aligned. Additionally, such employees are required to remit any remuneration they may receive as directors to the applicable Fund, which then offsets the Advisory Fee net of any expenses as described under "*Expense Reimbursements*". In addition, employees of the Adviser may leave the employment of the Adviser or its affiliates and become an officer or employee of a portfolio company. Employees are prohibited from retaining consulting, management or other fees personally from portfolio companies.

#### *Side Letter Agreements; Advisory Board Rights*

The Adviser may enter into certain side letter arrangements with certain investors in the Funds providing such investors with different or preferential rights or terms, including but not limited to different fee structures, information rights, co-investment rights, and liquidity or transfer rights. Except as otherwise agreed with an investor, the Adviser is not required to disclose the terms of side letter arrangements with other investors in the same Fund.

The Funds have established Advisory Boards, consisting of representatives of investors. A conflict of interest may exist when some, but not all limited partners are permitted to designate a member to the Advisory Board. The Advisory Board may also have the ability to approve conflicts of interests with respect to the Adviser and the Funds, which could be disadvantageous to the investors, including those investors who do not designate a member to the Advisory Board.

#### *Certain Brokerage Transactions*

As described above in response to Item 10, the Affiliated Broker, Leerink Partners LLC, is a FINRA member broker-dealer.

The Affiliated Broker may, as broker-dealer for certain investors in the Funds or other persons, effect transactions in which securities held by a Fund are sold to such investors.

### *Advisory Affiliates*

As described in Item 10 above, the Affiliated Advisers have their own clients. The Funds and Affiliated Advisers may on occasion invest in the same portfolio companies, including in the same security or in different securities of such a portfolio company. In such circumstances, interests of the Funds would therefore conflict with the interests of the clients of the Affiliated Advisers. For instance, see “*Allocation of Investment Opportunities Among Clients*” and “*Conflicts Related to Purchases and Sales*” above for more information.

### *Other Potential Conflicts*

The Adviser and the Funds will generally engage common legal counsel and other advisers in a particular transaction, including a transaction in which there may be conflicts of interest. Members of the law firms engaged to represent the Funds may be investors in a Fund, and may also represent one or more portfolio companies or investors in a Fund. In the event of a significant dispute or divergence of interest between Funds, the Adviser and/or its affiliates, the parties may engage separate counsel in the sole discretion of the Adviser and its affiliates, and in litigation and other circumstances separate representation may be required. Additionally, the Adviser and the Funds and the portfolio companies of the Funds will from time to time engage other common service providers. In certain circumstances, the service provider may charge varying rates or engage in different arrangements for services provided to the Adviser, the Funds, and/or the portfolio companies. This may result in the Adviser receiving a more favorable rate on services provided to it by such a common service provider than those payable by the Funds and/or the portfolio company, or the Adviser receiving a discount on services even though the Funds and/or the portfolio companies receive a lesser, or no, discount. This creates a conflict of interest between the Adviser, on the one hand, and the Funds and portfolio companies, on the other hand, in determining whether to engage such service providers, including the possibility that the Adviser will favor the engagement or continued engagement of such persons if it receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by a Fund and/or the portfolio companies.

The Adviser may, in its discretion, in the future, cause the Funds and/or their portfolio companies to have, ongoing business dealings, arrangements or agreements with persons who are former employees or executives of the Adviser. The Funds and/or their portfolio companies may bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there may be a conflict of interest between the Adviser and the Funds (or their portfolio companies) in determining whether to engage in or to continue such dealings, arrangements or agreements, including the possibility that the Adviser may favor the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person.

A Fund may invest in a pooled investment vehicle that is advised by, or that has another business or other relationship with, the Adviser or its related persons. In such a case, investors in such

Fund will bear not only the direct management fees and other expenses associated with their investment in such Fund, but also the expenses and fees associated with the investment in the underlying pooled investment vehicle, some of which fees and expenses may be paid to the Adviser or its related persons. Additionally, the interests of a Fund, as an investor, may conflict with the interests of the underlying pooled investment vehicle or the Adviser or its related persons in their capacity as service providers to the underlying pooled investment vehicle, which would create a conflict of interest for the Adviser.

In the regular course of its investment banking business, the Affiliated Broker provides a broad range of advisory services and represents potential purchasers, sellers and other involved parties, including corporations, financial buyers, management, shareholders and institutions, with respect to assets which may be suitable for investment by the Funds. In such a case, the Affiliated Broker's client would typically require the Affiliated Broker to act exclusively on its behalf. The Affiliated Broker will be under no obligation to decline such engagements.

The Adviser may represent creditors or debtors in proceedings under Chapter 11 of the Bankruptcy Code or prior to such filings. From time to time, the Adviser may serve as advisor to creditor or equity committees. This involvement, for which the Adviser may be compensated, may limit or preclude the flexibility that the Funds would otherwise have to make investments.

Certain portfolio companies of the Funds could be counterparties or participants in agreements, transactions or other arrangements with the Adviser, its affiliates, other portfolio companies of the Adviser's clients, to receive favorable procurement terms, including fees, servicing payments, rebates, discounts or other financial benefits. The Adviser is often eligible to receive favorable terms for its procurement due in part to the involvement of its portfolio companies in such arrangements, and any discounted amounts will not be subject to Advisory Fee offsets or otherwise shared with the relevant Funds.

If a Fund purchases in the secondary market at a discount debt securities of a company in which a Fund has, a substantial equity interest, (a) a court might require a Fund to disgorge profit it realizes if the opportunity to purchase such securities at a discount should have been made available to the issuer of such securities or (b) a Fund might be prevented from enforcing such securities at their full face value if the issuer of such securities becomes bankrupt. The effect of these transactions will vary from jurisdiction to jurisdiction.

The General Partner may receive distributions in kind from an investment disposition. In the event the General Partner receive such a distribution, the General Partner may act in its own interest with respect to its share of securities and may determine to sell the distributed securities, or hold on to the distributed securities for such time as the General Partner shall determine. The ability of the General Partner to act in its own interest with respect to such distributed shares creates a conflict of interest between the General Partner, as an adviser to the Funds, and the Funds.

The Organizational Documents of the Funds permit the General Partner to withhold information from certain limited partners or investors in the Funds in certain circumstances. For instance, information may be withheld from limited partners that are subject to Freedom of Information

Act or similar requirements. The General Partner may elect to withhold certain information to such limited partners for reasons relating to the General Partner's public reputation or overall business strategy, despite the potential benefits to such limited partners of receiving such information.

Please see the discussion above under the sub-heading "*Resolution of Conflicts*" for a description of the means by which the Adviser and its related persons may seek to alleviate conflicts of interest between the Funds and other persons.

## **Item 12. Brokerage Practices**

As the Funds invest primarily in private companies, the Adviser anticipates that investments in publically traded securities will be rare occurrences and, therefore, do not typically require the services of a broker-dealer. However, to meet its fiduciary duties to the Funds, the Adviser has adopted written policies to address issues that might arise with respect to selling publicly traded securities.

### **Selection of Brokers and Dealers**

The Adviser has, subject to the direction of the General Partner, sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker or dealer, if any, to be used to effect transactions. In placing each transaction for a Fund involving a broker-dealer, the Adviser will seek "best execution" of the transaction. "Best execution" means obtaining for a Fund account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), taking into account the circumstances of the transaction and the reputability and reliability of the executing broker or dealer. In seeking "best execution", the Adviser is not obligated to obtain the lowest possible commission cost, but rather, will determine whether the transaction represents the best qualitative execution for clients.

In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, the Adviser's Investment Team takes into account all factors that it deems relevant to the broker's or dealer's execution capability, including, by way of illustration, price, the size of the transaction, the nature of the market for the security, the amount of the commission, the timing of the transaction taking into account market prices and trends, the reputation, experience and financial stability of the broker or dealer, and the quality of service rendered by the broker or dealer in other transactions. In addition, the Adviser may consider the use of Electronic Communications Networks ("ECNs") when placing trades on behalf of the Funds. When purchasing or selling over-the-counter securities with market makers, the Adviser generally seeks to select market makers it believes to be actively and effectively trading the security being purchased or sold.

In order to monitor best execution, the Adviser's Investment Team, in consultation with the Adviser's Chief Compliance Officer will periodically monitor broker-dealers to assess the quality of execution of brokerage transactions effected on behalf of the Adviser and each Fund.

To the extent consistent with achieving best execution, the Adviser may also consider other business a particular broker or dealer may have done with the Adviser, such as identifying investment opportunities. The Adviser does not receive “soft dollars” in connection with its use of broker-dealers.

### **Aggregation of Trades**

The Adviser may aggregate (or bunch) the orders of more than one Fund for the purchase or sale of the same publicly traded security. Portfolio managers and traders often employ this practice because larger transactions may enable them to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. The Adviser will generally combine orders on behalf of Funds with orders for other Funds for which it has trading authority, or in which it or its affiliates have an economic interest. In such cases, the Adviser generally aggregate trade orders for publicly traded securities so that each participating client will receive the average price for each execution of a transaction.

If an order for more than one client for a publicly traded security cannot be fully executed, allocation shall be made based upon the Adviser’s procedures for allocation of investment opportunities, as described in Item 11 above.

## **Item 13. Review of Accounts**

### **Oversight and Monitoring**

The investment portfolio of the Funds is generally private, illiquid and long-term in nature, and accordingly the Adviser’s review is not directed toward a short-term decision to dispose of securities. However, the Adviser closely monitors the portfolio companies of the Funds and generally maintains an ongoing oversight position in such portfolio companies. The portfolios are reviewed by a team of investment professionals on an on-going basis. The team generally includes the Managing Partners and other investment professionals of the Adviser

### **Reporting**

Investors in the Funds typically receive, among other things, a copy of audited financial statements of the relevant Fund within 120 days after the fiscal year end of such Fund, as well as quarterly performance reports after each of the first three fiscal quarters within 90 days after the end of any such quarter. The Adviser may, from time to time, in its sole discretion, provide additional information relating to such Fund to one or more investors in such Fund as they deem appropriate.

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

For details regarding economic benefits provided to the Adviser by non-clients, including a description of related material conflicts of interest and how they are addressed, please see Item 11 above. In addition, the Adviser and its related persons may, in certain instances, receive

discounts on products and services provided by portfolio companies of Funds and/or the customers or suppliers of such portfolio companies.

While not a client solicitation arrangement, the Adviser has expects to engage persons to act as a placement agent for a Fund in connection with the offer and sale of interests to certain potential investors. Such persons will generally receive a fee in an amount equal to a percentage of the capital commitments for interests made by potential investors to such Fund that are subsequently accepted. Any such fees paid by a Fund will typically offset the Advisory Fee. Advisory Fees received by the Adviser are reduced by the amount of such fees paid by the Funds.

#### **Item 15. Custody**

Item 15 is not applicable to the Adviser.

#### **Item 16. Investment Discretion**

Investment advice is provided directly to the Funds, subject to the direction and control of the General Partner, and not individually to the investors in the Funds. Services are provided to the Funds in accordance with the Organizational Documents of the applicable Fund. Investment restrictions for the Funds are established in the Organizational Documents of the applicable Fund.

#### **Item 17. Voting Client Securities**

The Adviser has established written policies and procedures setting forth the principles and procedures by which the Adviser votes or gives consent with respect to securities owned by the Funds (“Votes”). The guiding principle by which the Adviser votes all Votes is to vote in the best interests of each Fund taking into account all facts and circumstances at the time of the vote.

It is the Adviser’s general policy to vote or give consent on all matters presented to security holders in any Vote. However, the Adviser reserves the right to abstain on any particular Vote or otherwise withhold its vote or consent on any matter if, in the judgment of the Adviser’s Investment Team, the costs associated with voting such Vote outweigh the benefits to the relevant Funds or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of the relevant Funds.

The Funds cannot direct the Adviser’s Vote.

All Voting decisions initially are referred to the Adviser’s Investment Team for a voting decision. In making such decision, the Investment Team may rely on any of the information and/or research available to him or her and will consult with the Chief Compliance Officer as needed regarding any material conflicts of interest that are identified.

The Adviser’s Investment Team has the responsibility to monitor Votes for any conflicts of interest, regardless of whether they are actual or perceived. Each member of the Adviser’s Investment Team will use his or her best judgment to address any such conflict of interest and



ensure that it is resolved in accordance with his or her independent assessment of the best interests of the Funds.

Where the Adviser's Investment Team deems appropriate in its sole discretion, unaffiliated third parties may be used to help resolve conflicts. In this regard, the Adviser's Investment Committee shall have the power to retain independent fiduciaries, consultants, or professionals to assist with Voting decisions and/or to delegate voting or consent powers to such fiduciaries, consultants or professionals.

Copies of relevant proxy logs, identifying how proxies were voted in connection with the Funds and copies of proxy voting policies are available to any client or prospective client upon written request to: J. Eric Anderson at [eric.anderson@leerink.com](mailto:eric.anderson@leerink.com) or Elizabeth Staley at [liz.staley@leerinkcapital.com](mailto:liz.staley@leerinkcapital.com).

#### **Item 18. Financial Information**

Item 18 is not applicable to the Adviser.

#### **Item 19. Requirements for State-Registered Advisers**

Item 19 is not applicable to the Adviser.