

# **SIGHTWAY CAPITAL, LP**

**December 4, 2017**

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**This brochure provides information about the qualifications and business practices of Sightway Capital, LP (the “Adviser”). If you have any questions about the contents of this brochure, please contact the Adviser at (212) 625-5723. 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 the Adviser also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**The Adviser is registered with the SEC as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.**

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### **Important Note about this Brochure**

This brochure is not:

- An offer or agreement to provide advisory services to any person;
- An offer to sell interests (or a solicitation of an offer to purchase interests) in any fund; or
- A complete discussion of the features, risks or conflicts associated with any fund or advisory service.

As required by the Advisers Act, the Adviser provides this brochure to current and prospective clients and may also, in its discretion, provide this brochure to current or prospective investors in a fund, together with other relevant offering documents, such as a fund's offering memorandum, prior to, or in connection with, such persons' investment in such a fund. The delivery of this brochure to an investor or prospective investor in a fund is not an acknowledgement that the investor or prospective investor is a client under the Advisers Act or that there is any direct client relationship with the Adviser.

Additionally, this brochure is available through the SEC's Investment Adviser Public Disclosure website. Although this publicly available brochure describes investment advisory services and products of the Adviser, persons who receive this brochure (whether or not from the Adviser) should be aware that it is designed solely to provide information about the Adviser as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this brochure may differ from information provided in relevant offering documents. More complete information about each product managed by the Adviser is included in relevant offering documents, certain of which may be provided to current and eligible prospective investors only by the Adviser. To the extent that there is any apparent conflict between discussions herein and similar or related discussions in any offering documents, the relevant offering documents shall govern and control.

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## Item 4. Advisory Business

The Adviser, a Delaware limited partnership, and the Managing Member (as defined below) expect to provide investment advisory services to one or more investment funds privately offered to qualified investors in the United States and elsewhere. The Adviser commenced operations in November 2017. Two Sigma Management, LLC is the general partner of the Adviser. The Adviser and its affiliates are referred to herein collectively as “Sightway Affiliates.”

It is expected that initially the Adviser’s client will be Two Sigma Private Investments Fund, LLC (the “Fund”).

It is expected that initially the managing member entity affiliated with the Adviser will be Two Sigma Private Investments, LLC (the “Managing Member” and together with the Adviser, “Sightway”).

The Managing Member is subject to the Advisers Act pursuant to the Adviser’s registration in accordance with SEC guidance. This Brochure also describes the business practices of the Managing Member, which operates as a single advisory business together with the Adviser.

It is expected that the Fund will focus on private equity-style investments, including through negotiated transactions in operating entities (generally referred to herein as “portfolio companies”), investments in private investment funds managed by unaffiliated third-party managers (“Third-Party Managers”), and investments in private investment vehicles managed by the Adviser’s affiliates. Each investor in the Fund will be, directly or indirectly, current or former partners or employees of the Adviser and its affiliates or their estate planning vehicles (or other similar investors). It is anticipated that the Fund will generally seek to achieve U.S. dollar-denominated returns by building a portfolio of investments, with a focus on diversification from and low correlation with other private investment funds managed by the Adviser’s affiliates (the “Other Managed Funds”). The Fund is expected to engage in transactions to partner with third-party management teams in order to form new businesses, in addition to other diversifying investments. Additionally, the Fund is expected to invest in certain venture capital investments and investment vehicles, including a private investment fund, Two Sigma Ventures II, LLC (“TSV Fund II”), that are managed by an affiliate of the Adviser. Sightway’s investment advisory services to the Fund are expected to consist of identifying and evaluating such management teams and investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments. Although investments will predominantly be made in non-public companies, investments in public companies or traded strategies are permitted. From time to time, where such investments consist of portfolio companies, it is anticipated that personnel of the Adviser or its affiliates will serve on such portfolio companies’ respective boards of directors or otherwise act to influence control over management of portfolio companies in which the Fund has invested.

The Adviser’s advisory services to the Fund will be detailed in the applicable private placement memoranda or other offering documents (each, a “Memorandum”), investment management agreements, limited partnership, limited liability company or other operating agreements or governing documents (each, a “Fund Agreement”) and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” In performing investment

advisory services for the Fund, the Adviser expects to retain its affiliate, Two Sigma Investments, LP, a Delaware limited partnership (“TSI”), to provide advisory personnel and services. The anticipated advisory services of TSI are described herein. It is expected that investors in the Fund will participate in the overall investment program for the Fund, but may be excused from a particular investment due to legal, regulatory or other agreed-upon circumstances pursuant to the Fund Agreement.

Additionally, from time to time and as permitted by the Fund Agreement, the Adviser expects to provide (or agree to provide) co-investment opportunities (including the opportunity to participate in co-invest vehicles) to certain investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, the Adviser’s personnel and/or certain other persons associated with the Adviser and/or its affiliates (*e.g.*, a vehicle formed by the Adviser’s principals to co-invest alongside the Fund’s transactions). Such co-investments will typically involve investment and disposal of interests in the applicable portfolio company at the same time and on the same terms as the Fund. However, from time to time, for strategic and other reasons, a co-investor or co-invest vehicle may purchase a portion of an investment after the Fund has consummated its investment in the portfolio company (also known as a post-closing sell-down or transfer). Where appropriate, and in the Adviser’s sole discretion, the Adviser is authorized to charge interest on the purchase to the co-investor or co-invest vehicle, and to seek reimbursement to the Fund for related costs. However, to the extent such amounts are not so charged or reimbursed, they generally will be borne by the Fund.

As of September 30, 2017, the Adviser managed no client assets on a discretionary basis. John A. Overdeck, David M. Siegel and trusts established by them, are the principal owners of the Adviser.

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## Item 5. Fees & Compensation

### *Asset-Based Compensation*

It is anticipated that the Adviser will not receive asset-based compensation with respect to the Fund.

### *Performance-Based Compensation*

It is anticipated that the Adviser will receive performance-based compensation, which is compensation that is based on a share of the profits (realized and unrealized) of the Fund, as described in the Fund's Memorandum, investment management agreement, supplemental disclosure document or other governing document, as applicable. This compensation will be allocated to the Adviser (or to a related person of the Adviser). It is anticipated that the Adviser (or a related person of the Adviser) will be entitled to receive an incentive allocation (the "Incentive Allocation") from the Fund in an amount equal to 10% of the net profits, if any, allocated to each investor in the Fund for each fiscal quarter or year, as applicable (and in certain cases, greater amounts depending on Fund performance); provided that the Fund may have Incentive Allocations taken more or less frequently. In addition, such Incentive Allocations may be subject to adjustment for any previously unrecovered net losses allocated to each investor in prior periods, subject to certain other adjustments and provisions.

### *Other Fees and Expenses*

In addition to the Incentive Allocation payable to the Adviser, it is expected that the Fund will bear certain expenses. As set forth more fully in the Memorandum and Fund Agreement, the Fund will bear all expenses relating to the Fund's activities, investments and business to the extent not reimbursed by a portfolio company or applied to reduce transaction fees, including without limitation, legal, custodial, banking and accounting expenses (including expenses associated with the preparation of the Fund's financial statements, tax returns and Schedule K-1s or other required filings), investment-related expenses (including the evaluation, acquisition, holding and disposition thereof, expenses relating to transactions that fail to close and travel and entertainment expenses incurred in connection with potential investments and in connection with monitoring portfolio investments), expenses related to organizing and operating persons through or in which investments may be made, appraisal expenses, the Fund's allocated share of personnel who are employed by any affiliates of the Fund and provide services to the Fund, expenses incurred in connection with the offering of interests, premiums for insurance protecting the Fund and any covered persons from liabilities to third persons in connection with Fund affairs, extraordinary expenses, taxes and other governmental charges, fees and duties payable by the Fund, damages, costs of reporting to investors, costs of winding up and liquidating the Fund, costs and expenses related to any filing, notification or other regulatory requirements or obligations applicable to the Fund and/or, to the extent related to the Fund, the Managing Member and its affiliates and other similar expenses. The Fund will also bear expenses indirectly to the extent a portfolio company pays expenses, including expenses of the Adviser and/or its affiliates. Where applicable, it is expected that the Fund will also pay its *pro rata* share of the expenses of the underlying investment vehicles in which it directly or indirectly invests.

To the extent the Fund invests in TSV Fund II or other pooled investment vehicles managed by the Adviser's affiliates, the Fund will bear its *pro rata* share of the administrative, operating and other expenses of TSV Fund II or such other vehicles. The applicable affiliate of the Adviser may charge (i) a fixed asset-based fee and (ii) an incentive fee or allocation based upon a percentage of the profits earned by the Fund with respect to its investment with the affiliate.

In addition, to the extent the Fund invests in private investment funds managed by Third-Party Managers, the Fund will indirectly bear its *pro rata* share of the fees and expenses of those private investment funds. These indirect expenses would include the Fund's *pro rata* share of an investment entity's investment expenses (such as custodial fees and brokerage commissions), legal, administrative and accounting expenses, and research expenses, and may include overhead expenses (such as rent, personnel expenses, equipment, supplies, management and consulting fees and similar expenses). Third-Party Managers generally will also charge (i) a fixed asset-based fee and (ii) an incentive fee or allocation based upon a percentage of the profits earned by the Fund with respect to its investment with the Third-Party Manager.

In addition to the Incentive Allocation described above, it is anticipated that the Fund will be subject to certain fees or performance-based allocations payable (or allocable, as applicable) to third-party service providers to one or more special-purpose vehicles and commingled funds managed by the Adviser (each, an "Acquisition Entity") or such providers to the investments held by one or more Acquisition Entities, as applicable.

Additionally, as described above, if the Fund invests its assets in one or more of the Acquisition Entities, the Fund will be responsible for its *pro rata* share of the administrative, operating and other expenses of each such Acquisition Entity, which may be all of such administrative, operating and other expenses to the extent there are no other members in such Acquisition Entity.

Please refer to Item 8 of this brochure for further discussion of conflicts of interest with respect to Fund expenses. Please refer to Item 12 of this brochure for further discussion of the Adviser's brokerage practices.

It is expected that the Adviser will be permitted to exempt certain investors in the Fund from payment of all or a portion of the Incentive Allocation. Any such exemption may be made by a direct exemption or a rebate by the Adviser and/or its affiliates, or through other funds which co-invest with the Fund. Principals or other current or former employees of Sightway will generally receive a portion of the Incentive Allocation or other compensation received by the Adviser or its affiliates.

As is typical for private equity funds, the Fund will likely bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth in "Brokerage Practices."

In certain circumstances, the Adviser is expected to advance amounts related to the foregoing and receive reimbursement from the Fund.

In addition, in certain circumstances, the Adviser receives compensation for management and other services performed in connection with co-investments made in portfolio companies of the Fund.

The Adviser and/or its affiliates generally have discretion over whether to charge transaction fees, monitoring fees or other compensation to a portfolio company and, if so, the rate, timing and/or amount of such compensation. The receipt of such compensation generally will give rise to potential conflicts of interest between the Fund, on the one hand, and the Adviser and/or its affiliates on the other hand.



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## **Item 6. Performance-Based Fees & Side-by-Side Management**

As described under Item 5, “Fees and Compensation,” it is expected that the Adviser will receive an Incentive Allocation on certain net profits (both realized and unrealized) of the Fund, although it will generally have the authority to waive an Incentive Allocation with respect to certain investors as described under Item 5, “Fees and Compensation.”

The existence of performance-based compensation has the potential to create an incentive for the Managing Member to make more speculative investments on behalf of the Fund than it would otherwise make in the absence of such arrangement, although the Adviser generally considers performance-based compensation to better align its interests with those of its investors.

### **Certain Conflicts of Interest Associated with Side-By-Side Management**

There are additional actual and potential conflicts of interest inherent in the organizational structure and operation of the Adviser and its affiliates, certain of which are described below. The discussion below does not purport to be a comprehensive discussion of all of the conflicts of interest associated with the Adviser and an investment in the Fund. The Memorandum and the Fund’s other disclosure or governing documents, as applicable, contain additional information with respect to the actual and potential conflicts associated with an investment in the Fund.

The Adviser’s affiliates (as well as their respective principals and certain personnel) engage in a wide range of investment and other financial activities, many of which are not offered to the Fund (or investors therein). The growth of the Sightway Affiliates may increase competition between and among the Fund, clients of the Adviser’s affiliates and the Adviser’s affiliates themselves, and may decrease the number of investment opportunities available to the Fund and clients of the Adviser’s affiliates. Such competition may create inherent conflicts of interest among the Sightway Affiliates.

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

It is anticipated that the Adviser will provide investment advice to the Fund. The Fund will be a limited liability company formed under laws of the State of Delaware and operated as an exempt investment pool under the U.S. Investment Company Act of 1940, as amended (the “Investment Company Act”). The investors participating in the Fund are anticipated to include, directly or indirectly, current or former partners or employees of the Adviser and its affiliates or their estate planning vehicles (or other similar investors).

With respect to the Fund, initial and additional subscription minimums, if any, will be disclosed in the Memorandum. The Adviser is typically authorized to waive, reduce or modify such subscription minimums, subject to certain limitations in accordance with applicable law or regulation.

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

### General

Sightway's investment advisory services are expected to consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for investments. Investments are anticipated to be predominantly of non-public companies although investments in public companies are permitted.

It is anticipated that the Fund will generally seek to achieve U.S. dollar-denominated returns by building a portfolio of investments, with a focus on diversification from and low correlation with the Other Managed Funds. It is expected that the Fund will generally intend to invest in markets which it perceives to have limited efficiency and liquidity and in private entities, seeking to capitalize on investment opportunities that potentially offer significant illiquidity premiums, including across private equity, credit and special opportunities, real assets and infrastructure, real estate and venture capital. The Fund is expected to engage in transactions to partner with third-party management teams in order to form new businesses, in addition to other diversifying investments. Additionally, the Fund is expected to invest in TSV Fund II or other privately placed venture capital investments managed by an affiliate of the Adviser. The Fund may also invest in privately placed investments managed by Third-Party Managers that have demonstrated investment expertise and where such investment provides access to particular investment opportunities that may not otherwise be available to the investors in the Fund. The Fund may also invest in other potentially diversifying assets, including, but not limited to, listed securities, over the counter securities, operating companies, hard assets and real estate.

Indirectly through the Acquisition Entities, and directly, the strategies the Fund expects to pursue are long-term in nature and generally include investment lock-up provisions. These strategies will generally be discretionary in nature, and will seek to achieve absolute returns commensurate with a corresponding level of investment and liquidity risk.

There can be no assurance that the Adviser or the Fund will achieve the investment objectives of the Fund and a loss of investment is possible.

### Risks of Investment

Prospective investors should carefully consider the following risk factors. As a result of these factors, as well as other risks inherent in any investment, there can be no assurance that the Fund will meet its investment objective or otherwise be able successfully to carry out its investment program.

**An investment in the Fund is highly speculative, entails substantial risks and is subject to various conflicts of interest.** It is expected that the Fund's investment program will not be suitable as the sole investment vehicle for an investor and should be part of an overall investment strategy. An investor should invest in the Fund only if such investor can bear a total loss of its entire investment in the Fund, understands that there will be significant volatility in the Fund's performance and has limited need for liquidity in its investment.

The following is not, and does not purport to be, a complete description of the risks associated with an investment in the Fund. Rather, the following are only certain particular risks to which the Fund is anticipated to be subject and that prospective investors should discuss in detail with their professional advisers.

***Risks Related to Investment Program.*** The investment objective of the Fund is to achieve U.S. dollar-denominated returns by building a diversified portfolio with investments in private entities, with Third-Party Managers and in other diversifying assets. The Fund's investment portfolio is intended to have a low correlation to that of the Other Managed Funds.

Interests in the Fund will be subject to all of the risks associated with the purchase and sale of various instruments, including, among others, the difficulty of accurately predicting price movements in particular positions, and the difficulty of assessing the impact that an unpredictable multitude of economic and other events may have on prices. The Adviser may utilize a variety of speculative investment strategies which, if unsuccessful, could result in a complete loss of an investor's entire investment in the Fund.

The Fund will also be subject to certain additional risks, many of which will be magnified by the likely nature of the Fund's investment activities. For example, in the event of a material market dislocation, the Fund may find itself holding positions that, due to such crisis scenario, are difficult to liquidate, and therefore may suffer material losses as a result of such temporary illiquidity.

There can be no assurances that the strategies pursued will be profitable, and various market conditions may be materially less favorable to certain strategies than others. Mispricings, even if correctly identified, may not be corrected by the market, at least within a time frame over which it is feasible for the Fund to maintain a position.

***Risk of Early-Stage Investments.*** A substantial portion of the Fund's investments will be in equity or equity-related investments that by their nature involve business, financial, market and/or legal risks. While such investments offer the opportunity for significant capital gains, they also involve a high degree of risk that can result in substantial losses. Among these risks are the general risks associated with investing in companies at the growth stage of development or with limited operating history, companies operating at a loss or with substantial variations in operating results from period to period, companies with the need for substantial additional capital to support expansion or to achieve or maintain a competitive position and companies dependent on new or developing technology. Part of the Adviser's investment strategy involves funding the creation of companies by third-party management teams identified by the Adviser. Unlike traditional private equity and venture capital strategies, the Adviser will commit to fund businesses before a formal company exists. There generally will be little or no publicly available information regarding the status and prospects of these companies. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and service capabilities and a larger number of qualified managerial and technical personnel. There can be no assurance that the development or marketing efforts of any particular portfolio company will be successful or that its business will be profitable. Investors in the Fund will therefore rely on the Adviser's judgment to identify successful management teams and such management teams' ability to create successful businesses.

There can be no assurance that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the value of such investments. Prices of the investments may be volatile, and a variety of other factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Fund's activities. As a result, the Fund's performance over a particular period may not necessarily be indicative of the results that may be expected in future periods. The portfolio companies may be unseasoned, unprofitable or have no established operating history or earnings and may lack technical, marketing, financial and other resources. These companies may be dependent upon the success of one product or service, a unique distribution channel, or the effectiveness of its manager or management team. The failure of this one product, service or distribution channel, or the loss or ineffectiveness of a key executive or executives within the management team may have a materially adverse impact on such companies. Although the Adviser may seek to aid or influence certain of its investment companies, the Fund will not have an active role in the day-to-day management of each company in which it invests. To the extent that the management of a portfolio company performs poorly, the Fund's investment in such company could be adversely affected. Furthermore, these companies may be more vulnerable to competition and to overall economic condition than larger, more established entities.

In early-stage enterprises, a major risk exists that a proposed service or product cannot be developed successfully with the resources available to the portfolio company. There is no assurance that the development efforts of any portfolio company will be successful or, if successful, will be completed within the budget or time period originally estimated. The services and products may also be subject to a high degree of technical obsolescence. There is no assurance that any portfolio company can successfully develop future generations of its services or products. Additional funds may be necessary to complete such development, and there is no assurance that such funds will be available from any particular source.

The receptiveness of potential acquirers to the Fund's portfolio companies will vary over time and, even if a portfolio company investment is disposed of pursuant to a merger, consolidation or similar transaction, the Fund's stock, security or other interests in the surviving entity may not be marketable. Further, the public market for emerging growth companies is extremely volatile. Such volatility may adversely affect the development of portfolio companies, the ability of the Fund to dispose of investments and the value of investment securities on the date of sale or distribution by the Fund. There can be no guarantee that any investment will result in a liquidity event through a merger, acquisition, public offering or otherwise, and there is a significant risk that some or all the Fund's investments will yield little or no return.

***Risks of Minority Investments.*** The Fund may make minority investments in portfolio companies where it may have limited influence. Such a portfolio company may have economic or business interests or goals that are inconsistent with those of the Fund and the Fund may not be in a position to limit or otherwise protect the value of its investment in such portfolio company, although as a condition of making such investments, it is expected that appropriate shareholder rights generally will be sought to protect the Fund's investments. The Fund's control over the investment policies of such portfolio companies may also be limited.

***Co-Investment Risks.*** The Fund may co-invest in a portfolio company with financial, strategic or other third-party investors. Such investments will involve additional risks not present in investments where a third-party is not involved, including the possibility that the co-investor may have interests or objectives that are inconsistent with those of the Fund or may be in a position to take (or block) action in a manner contrary to the Fund's investment objectives.

***Illiquid and Long Term Investments; Risk of Capital Loss; No Assurance of Profit.*** Investments in the Fund's portfolio typically will involve unregistered securities that will be subject to restrictions on resale. Thus there will often, or always, be a significant period of time between an investment and the realization of proceeds from sale or other cash realization from such investment. Investors will generally not receive distributions. Dispositions of investments may require a lengthy time period or may result in distributions in-kind to investors. Most of the Fund's investments are expected to be in the equity and/or other securities of private companies. In some cases, the Fund may be prohibited by contract from selling certain securities for a period of time. As a result, there generally will be limited or no marketability of the Fund's investments, and such investments may decline in value while the Adviser is seeking to dispose of them. Furthermore, the Adviser may find it necessary to sell investments at a discount or to sell over extended periods of time when disposing of the Fund's portfolio investments. Therefore, it is expected that the Fund's investments generally will be relatively illiquid and difficult to value. The marketability and value of any such investments will depend upon many factors beyond the control of the Managing Member and the Adviser.

***Difficulty of Locating Suitable Investments.*** There can be no assurance that there will be a sufficient number of suitable investment opportunities to enable the Fund to invest in opportunities that satisfy the Fund's investment objectives. Identification of attractive investment opportunities is difficult and involves a high degree of uncertainty. Furthermore, the availability of investment opportunities generally will be subject to market conditions as well as, in some cases, the prevailing regulatory or political climate. Competition for such opportunities is expected to be substantial. Finally, instances may arise where the Adviser exercises its discretion not to pursue a particular investment opportunity on behalf of the Fund because of the potential restrictions that such pursuit may have on the Adviser's or its affiliates' ability to invest in or trade certain securities (or other assets) related to such investments on their own behalf or on behalf of their other clients.

***Computation of Capital Accounts.*** The Managing Member's discretion with respect to all matters concerning the computation of investors' capital accounts may result in potential or actual conflicts of interest between the Managing Member and the investors in the Fund, and the Managing Member's determinations with respect to such matters may be materially different than if such determinations were made by a third party.

***Incentive Allocation.*** Any Incentive Allocation will reduce the allocations and distributions that would otherwise have been made to the investors absent any Incentive Allocation. In addition, the Incentive Allocation's existence may incentivize the Managing Member to make riskier or more speculative investments on the Fund's behalf than it would otherwise make absent such performance-based allocations, which could result in adverse consequences for an investor, including but not limited to reduced returns or a complete loss of a Member's entire investment in the Fund. Moreover, the manner in which the Managing Member determines the Incentive Allocations may create a conflict between the Managing Member's

interests and the investors' interests as to the manner, timing and sequencing of the disposition of investments, which could result in adverse consequences for the investors, including, but not limited to, reduced returns and less efficient tax treatment.

***Changes in Market Environment.*** Some of the investment strategies developed by the Adviser make certain assumptions about the persistence or "stationarity" of the market environment. The strategies assume that repeated past behavior of the markets can be used to predict the future, at least in limited ways. At their core, financial and economic patterns are not immutable and there can be no guarantees that relationships that appeared to govern securities and their prices in the past will continue in the future.

While the Adviser will make efforts to estimate and control the risks associated with market changes, and will attempt to identify changes as they occur, market environment changes can be sudden and extreme. When these changes occur, certain market dynamics can make the changes more severe and can cause their adverse effects to spread to other markets not affected by the initial changes.

***Unspecified Transactions.*** Other than to the extent described in the Memorandum of the Fund and any supplement thereto, the offering will not specify particular investments that the Fund will acquire. Investors rely on the Adviser's ability to evaluate and acquire investments using available proceeds. The Fund may be unable to find a sufficient number of attractive opportunities to meet its investment objectives.

***Non-U.S. Investments.*** The Fund may invest in non-U.S. instruments and derivatives on non-U.S. instruments. Investing in non-U.S. instruments and derivatives on non-U.S. instruments may involve risks and considerations not present in the investing of U.S. instruments and derivatives thereon. Since non-U.S. instruments generally are denominated, pay interest, and are settled in non-U.S. currencies, the value of the assets of the Fund as measured in U.S. dollars may be affected favorably or unfavorably by changes in the exchange rate between the U.S. dollar and other currencies. The weakening of a country's currency relative to the U.S. dollar will adversely affect the dollar value of the Fund's investments that are denominated in such country's currency. As a result, the Fund could realize a net loss on an investment, even if there were a gain on the underlying investment before currency losses were taken into account. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, and long-term opportunities for investment and capital appreciation. Currency exchange rates can also be affected unpredictably by controls or restrictions imposed by U.S. or non-U.S. central banks or other governmental agencies in joint or unilateral efforts to alter exchange rate trends. Political developments in the United States or abroad may also affect currency exchange rates. To the extent the Fund invests in instruments denominated in non-U.S. currencies, it may be adversely affected by restrictions on the conversion or transfer of non-U.S. currencies. The Adviser may (but may not necessarily) seek to hedge these risks through currency futures contracts, forward currency contracts, swaps, or any combination thereof (whether or not exchange traded), but there can be no assurance that such strategies will be effective. Swaps, "synthetic" or derivative instruments, and certain types of customized financial instruments are subject to the risk of non-performance by the other party to the contract. As a result, a default on the instrument may deprive the Fund of unrealized profits and/or collateral

held by the counterparty or may force the Fund to cover its commitments for purchase or resale of the underlying currency at the then current market price.

In addition, there may be less publicly available information about non-U.S. economies and non-U.S. companies than the U.S. economy and U.S. companies. Non-U.S. companies may not be subject to accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies. Many non-U.S. securities markets have substantially less volume than U.S. securities markets and, therefore, securities of non-U.S. companies are generally less liquid and at times their prices may be more volatile than securities of comparable U.S. companies. In addition, in many non-U.S. markets there is less government supervision of exchanges, brokers, dealers and issuers than in the United States. Although the Fund typically would invest in instruments (and derivatives thereon) of or related to companies and governments in countries that the Adviser believes to have stable political environments, there is a possibility of expropriation or confiscatory taxation, seizure or nationalization of foreign bank deposits, establishment of exchange controls, the adoption of foreign government restrictions or other adverse political, social or diplomatic developments that could adversely affect any such investment. Some of the instruments may be subject to taxes levied by foreign governments, which has the effect of increasing the cost of such investing and reducing the realized gain or increasing the realized loss on such securities at the time of sale. Income from non-U.S. instruments held by the Fund may be reduced by a withholding tax at the source. Tax conventions between certain countries and the United States, however, may reduce or eliminate such taxes, and some or all of such taxes may be creditable against the U.S. federal income tax liability of investors that are U.S. taxpayers.

***United Kingdom Referendum Regarding Departure from the European Union.*** On June 23, 2016, voters in the United Kingdom referendum (the “Referendum”) on the question of whether to remain or leave the European Union (the “EU”) voted in a majority in favor of leaving the EU. Pursuant to the EU constitution, the only method of withdrawal is via Article 50 of the Treaty of the EU, which itself provides for a period of up to two years during which the terms of the United Kingdom’s ongoing relationship with the EU will be negotiated. The Article 50 procedure was triggered by the United Kingdom government on March 29, 2017; accordingly, it is currently anticipated that the United Kingdom will cease to be a member of the EU by the end of March 2019 (subject to any transitional arrangements or extensions which may be agreed). These historic events are widely expected to have consequences that are both profound and uncertain for the economic and political future of the United Kingdom and the EU, and those consequences include significant legal and business uncertainties pertaining to an investment in the Fund. Due to the recent occurrence of these events, the full scope and nature of the consequences are not at this time known and are unlikely to be known for a significant period of time. At the same time, it is reasonable to assume that the significant uncertainty in the business, legal and political environment engendered by these events has resulted in immediate and longer term risks that would not have been applicable in the absence of the outcome of the Referendum and the United Kingdom’s anticipated withdrawal from the EU (“BREXIT Risks”).

Those risks include short and long term market volatility and currency volatility, macroeconomic risk to the United Kingdom and European economies, impetus for further disintegration of the EU and related political stresses (including those related to sentiment against cross border capital movements and activities of investors like the Fund), prejudice to financial



services businesses that are conducting business in the EU and which are based in the United Kingdom, disruption to regulatory regimes related to the operations of the Fund, the Managing Member and the Adviser, legal uncertainty regarding achievement of compliance with applicable financial and commercial laws and regulations in view of the expected steps to be taken pursuant to the United Kingdom's anticipated withdrawal from the EU, and the unavailability of timely information as to expected legal, tax and other regimes. The terms of the United Kingdom's exit from the EU are not clear, and the shape of the regulatory landscape following exit is not yet defined; the legal, political and economic uncertainty generally resulting from the United Kingdom referendum result and anticipated exit from the EU may adversely impact United Kingdom-based businesses, and may also result in an economic slowdown and/or a deteriorating business environment in one or more EU Member States.

In view of these risks and their application to the Fund, the Managing Member and the Adviser, prospective investors should take into account the significance of the BREXIT Risks upon a prospective investment in the Fund. Prospective investors should take into account the wide ranging and serious nature of these risks, and retain advice as needed, for purposes of evaluating an investment in the Fund. There can be no assurance that the BREXIT Risks will not alter, and alter significantly, the attractiveness of an investment in the Fund by, among other things, giving rise to impediments to the intended implementation of the investment strategy of the Fund that would have material effects on performance, including the potential for capital losses, delays, legal and regulatory risk and general uncertainty.

***Investments with Third-Party Managers.*** The Fund will invest with Third-Party Managers and, as a result, the following additional risks may be associated with these investments:

(i) *Multiple Investment Managers.* The Third-Party Managers make their investment decisions independently, and it is theoretically possible that one or more of such Third-Party Managers may, at any time, take positions that may be opposite of positions taken by other Third-Party Managers or the Fund. It is also possible that the Third-Party Managers retained by the Fund may on occasion be competing with each other for similar positions at the same time. Also, a particular Third-Party Manager may take positions for its other clients that may be opposite to positions taken for the Fund.

(ii) *Lack of Operating History of Third-Party Managers.* The Third-Party Managers retained by the Fund may be new Third-Party Managers with a limited performance history in operating their own management company (although such Third-Party Managers typically will have significant prior experience in the investment industry). Therefore, such investments may involve greater risks than investment with more established Third-Party Managers.

(iii) *Performance-Based Compensation Arrangements with Third-Party Managers.* Third-Party Managers are typically compensated, in whole or in part, based on the appreciation in value (including unrealized appreciation) of the accounts they manage during specific measuring periods. In certain infrequent cases, Third-Party Managers may be paid an incentive fee or allocation based on appreciation during the specific measuring period without taking into account losses occurring in prior measuring periods. Such performance-based arrangements may create an incentive for such Third-Party Managers to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements.

Furthermore, the Fund may be required to pay an incentive fee or allocation to Third-Party Managers who make a profit for the Fund in a particular fiscal year even though the Fund may in the aggregate incur a net loss for such fiscal year.

(iv) *Activities of Third-Party Managers.* Third-Party Managers will have significant responsibility for making investment decisions on behalf of the Fund. The Third-Party Managers will have various levels of experience. In addition, the Third-Party Managers may also manage other accounts (including other partnerships and accounts in which the Third-Party Managers may have an interest) which, together with accounts already being managed, could increase the level of competition for the same investments the Fund might otherwise make. This could make it difficult to take or liquidate a position in a particular investment at a price indicated by the Third-Party Manager's strategy. Furthermore, although the Fund seeks to select only Third-Party Managers who will invest the Fund's assets with the highest level of integrity, the Fund will have no control over the day-to-day operations of any of the selected Third-Party Managers. As a result, there can be no assurance that every Third-Party Manager engaged by the Fund will conform his conduct to these standards.

(v) *Fund Expenses.* The expenses of the Fund (including the payment of fees by the Fund to Third-Party Managers and the Fund's pro rata share of expenses of any private investment funds in which it invests) may be a higher percentage of net assets than would be found in other investment entities. Strategies utilized by certain Third-Party Managers retained by the Fund may require frequent trading and, as a result, portfolio turnover and brokerage commission expenses may significantly exceed those of other investment entities of comparable size.

(vi) *Limits on Information.* The Adviser requests certain information from each Third-Party Manager regarding the Third-Party Manager's historical performance (if any) and investment strategy. However, the Adviser may not be provided with information regarding all the investments made by the Third-Party Managers because certain of this information may be considered proprietary information by Third-Party Managers.

***Diversification of Strategies and Third-Party Managers.*** Although the Adviser invests with a number of different Third-Party Managers utilizing different investment strategies, it is possible that several Third-Party Managers may take substantial positions in the same security or group of securities at the same time. This possible lack of diversification may subject the investments of the Fund to more rapid change in value than would be the case if the assets of the Fund were more widely diversified.

Conversely, the Adviser may invest with Third-Party Managers that manage securities in a variety of financial sectors, industries or geographic regions. Thus, investors should be prepared to bear the risks associated with securities in any financial sector, industry or geographic region.

***Hard Assets.*** The production and marketing of hard assets may be affected by actions and changes in governments. In addition, hard assets and hard asset securities may be cyclical in nature. During periods of economic or financial instability, hard asset securities may be subject to broad price fluctuations, reflecting volatility of energy and basic materials prices and possible instability of supply of various hard assets. In addition, hard asset companies may also be subject to the risks generally associated with extraction of natural resources, such as the risks of mining and oil

drilling, and the risks of the hazards associated with natural resources, such as fire, drought, increased regulatory and environmental costs, and others. Hard asset securities may also experience greater price fluctuations than the relevant hard asset. In periods of rising hard asset prices, such securities may rise at a slower rate, and conversely, in time of falling hard asset prices, such securities may suffer a greater price decline.

***Real Estate Related Risks.*** The Fund may invest in real estate and/or real estate related companies and/or industries and, therefore, may be subject to risks associated with the direct and indirect ownership of real estate, such as decreases in real estate values, overbuilding, increased competition and other risks related to local or general economic conditions, increases in operating costs and property taxes, changes in zoning laws, casualty or condemnation losses, possible environmental liabilities, regulatory limitations on rent and fluctuations in rental income.

***Energy and Natural Resources.*** The Fund's portfolio may include investments in the energy and natural resources sectors. If the Fund were to invest in the energy and natural resources sectors, the value of the Fund's portfolio may be vulnerable to factors affecting the energy and natural resources industries, such as increased regulation by both the U.S. and non-U.S. governments, developments in the energy and natural resources sectors and conservation incentives. Increased energy and natural resources regulations may, among other things, increase compliance costs and affect business opportunities for the companies in which the Fund invests.

***Loan Origination Risk.*** The value of the Fund's investment in loans may be detrimentally affected to the extent a borrower defaults on its obligations, there is insufficient collateral and/or there are extensive legal and other costs incurred in collecting on a defaulted loan. The Adviser may attempt to minimize this risk by maintaining low loan-to-liquidation values with each loan and the collateral underlying the loan. However, there can be no assurance that the value assigned by the Adviser to collateral underlying a loan of the Fund can be realized upon liquidation, nor can there be any assurance that collateral will retain its value. In addition, certain loans may be supported, in whole or in part, by personal guarantees made by the borrower or a relative, or guarantees made by a corporation affiliated with the borrower. The amount realizable with respect to a loan may be detrimentally affected if a guarantor fails to meet its obligations under the guarantee. Moreover, the value of collateral supporting loans may fluctuate. Finally, there may be a monetary, as well as a time cost involved in collecting on defaulted loans and, if applicable, taking possession of and subsequently liquidating various types of collateral.

***Loan Participations.*** The Fund may invest in corporate loans acquired through assignment or participations. In purchasing participations, the Fund will usually have a contractual relationship only with the selling institution, and not the borrower. The Fund generally will have no right directly to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, nor will it have the right to object to certain changes to the loan agreement agreed to by the selling institution. The Fund may not directly benefit from the collateral supporting the related secured loan and may not be subject to any rights of set-off the borrower has against the selling institution.

In addition, in the event of the insolvency of the selling institution, under the laws of the United States and the states thereof, the Fund may be treated as a general creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution's

interest in, or the collateral with respect to, the secured loan. Consequently, the Fund may be subject to the credit risk of the selling institution as well as of the borrower. Certain loans or loan participations may be governed by the laws of a jurisdiction other than a United States jurisdiction, which may present additional risks as regards the characterization under such laws of such participation in the event of the insolvency of the selling institution or the borrower.

***Special Situations.*** The Fund may have investments in companies or may invest in derivatives on the equity or debt of companies involved in (or the target of) acquisition attempts or tender offers or have investments in companies or invest in derivatives on the equity or debt of companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Fund of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Fund may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the Fund may invest, there is a potential risk of loss by the Fund of its entire investment in such companies. In connection with such transactions (or otherwise), the Fund may purchase securities on a when-issued basis, which means that delivery and payment take place sometime after the date of the commitment to purchase and is often conditioned upon the occurrence of a subsequent event, such as approval and consummation of a merger, reorganization or debt restructuring. The purchase price and/or interest rate receivable with respect to a when-issued security are fixed when the Fund enters into the commitment. Such securities are subject to changes in market value prior to their delivery.

***Investing in Emerging Market Equity Securities.*** Investing in emerging markets involves additional risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include (i) increased risk of nationalization or expropriation of assets or confiscatory taxation; (ii) greater social, economic and political uncertainty including war; (iii) higher dependence on exports and the corresponding importance of international trade; (iv) greater controls on non-U.S. investment and limitations on repatriation of invested capital and on the ability to exchange local currencies for U.S. dollars; (v) increased likelihood of governmental involvement in and control over the economies; and (vi) governmental decisions to cease support of economic reform programs or to impose centrally planned economies.

The Fund's investing in equity securities in emerging markets may be subject to such additional risks as (i) greater volatility, less liquidity and smaller capitalization of securities markets; (ii) greater volatility in currency exchange rates; (iii) greater risk of inflation; (iv) differences in auditing and financial reporting standards which may result in the unavailability of material information about issuers; (v) less extensive regulation of the securities markets; (vi) longer settlement periods for securities transactions and less reliable clearance and custody arrangements; (vii) less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors; and (viii) certain considerations regarding the maintenance of Fund securities and cash with non-U.S. brokers and securities depositories. The Fund may also invest in derivatives on such emerging market equity securities.

***Emerging Market Debt Securities.*** The Fund may also invest in emerging market debt securities, including short-term and long-term securities denominated in various currencies, which are unrated or rated in the lower rating categories by the various credit rating agencies. In addition to the risks related to investments in emerging markets generally and in emerging market equity securities as outlined above, emerging market debt securities are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally subject to greater risk than securities with higher credit ratings in the case of deterioration of general economic conditions. Additionally, evaluating credit risk for non-U.S. debt securities involves great uncertainty because credit rating agencies throughout the world have different standards, making comparisons across countries difficult. Because investors generally perceive that there are greater risks associated with lower-rated securities, the yields or prices of such securities may tend to fluctuate more than those for higher-rated securities. The market for emerging market debt securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which securities are sold. In addition, adverse publicity and investor perceptions about emerging market debt securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such securities.

The sovereign debt obligations in which the Fund may invest in many cases pertain to countries that are among the world's largest debtors to commercial banks, non-U.S. governments, international financial organizations, and other financial institutions. In recent years, the governments of some of these countries have encountered difficulties in servicing their external debt obligations, which led to defaults on certain obligations and the restructuring of certain indebtedness. The Fund may have limited legal recourse in the event of a default with respect to certain sovereign debt obligations it holds. For example, remedies from defaults on certain sovereign debt obligations, unlike those on private debt, must, in some cases, be pursued in the courts of the defaulting party itself or may even be precluded (or limited) under principles of sovereign immunity. The Fund may also invest in derivatives on such emerging market debt securities.

***Lack of Liquidity of Fund Assets.*** Fund assets will include securities and other financial instruments or obligations that are thinly traded or for which no market exists. Fund assets may also include securities that are restricted as to their transferability under applicable securities laws. Any such investment involves a high degree of business and financial risk that can result in substantial losses. There may be no existing market for such securities, making the purchase or sale of such securities at desired prices or in desired quantities difficult or impossible. Furthermore, the sale of any such investments may be possible only at substantial discounts and it may be extremely difficult to value any such investments accurately.

***Leverage.*** The Fund expects to utilize leverage in the pursuit of its investment strategy. Such leverage may include both direct borrowing (*i.e.*, "explicit leverage"), as well as exposure obtained by the use of futures or other derivatives (*i.e.*, "implicit leverage"). Trading these instruments may also, directly or indirectly, result in interest charges or costs to the Fund. The Fund is not limited in the amount of leverage it may employ. When used herein, the term "leverage" should be deemed to include both explicit leverage as well as implicit leverage. The Adviser may employ any level of explicit and/or implicit leverage to attempt to enhance returns,

subject to regulatory limits, contractual limitations imposed by prime brokers, dealers, counterparties and other lenders and risk management concerns. Borrowings will be effected at the Fund or the Acquisition Entity level. The Fund may ultimately be liable for any unsatisfied liabilities. It is noted that the Fund does not anticipate reducing its leverage in the face of material decreases in the net asset value of the Fund. Given the opportunistic character of the Fund's investment approach, the Fund's leverage may actually increase as additional positions are established during such periods of net asset value decreases. It is also noted that the Fund and/or the Acquisition Entities may provide guarantees to and/or from one or more of the others, as needed from time to time, to support its or their investing activities.

The use of margin, short-term borrowing and collateral requirements create additional risks to the Fund. The Fund may use a substantial portion of its capital to post as margin or collateral. If the value of the Fund's assets were to fall below the margin or collateral level required by a prime broker or dealer, additional margin deposits or collateral amounts would be required. If the Fund were unable to satisfy any margin or collateral call by a prime broker or dealer, the prime broker or dealer could liquidate some or all of the positions in the Fund's account with the prime broker or for which the dealer is the counterparty and cause the Fund to incur significant losses. The failure to satisfy a margin or collateral call, or the occurrence of other material defaults under margin, collateral or other financing agreements, could trigger cross-defaults under the Fund's agreements with other brokers, dealers, lenders, clearing firms or other counterparties, multiplying the adverse impact to the Fund. In addition, because the use of leverage will allow the Fund control of or exposure to positions worth significantly more than the margin or collateral posted for such positions, the amount that the Fund may lose in the event of adverse price movements will be high in relation to the amount of this margin or collateral amount.

In the event of a sudden decrease in the value of the Fund's assets, the Fund might not be able to liquidate assets quickly enough to satisfy its margin or collateral requirements. In that event, the Fund may become subject to claims of financial intermediaries that extended "margin" loans or counterparty credit. Such claims could exceed the value of the assets of the Fund. Trading of futures, forward contracts, equity swaps and other derivatives, for example, generally involves little or no margin deposit or collateral requirement and, therefore, provides substantial leverage. Accordingly, relatively small price movements in these financial instruments (and others) may result in immediate and substantial losses to the Fund.

The banks and dealers that provide financing to the Fund can apply essentially discretionary margin, haircut, financing and collateral valuation policies. Changes by banks and dealers in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. There can be no assurance that the Fund will be able to secure or maintain adequate financing.

**Hedging.** The Fund may hedge some or all of its portfolio by taking long and short positions in related financial instruments. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of such portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus seeking to moderate the decline in the portfolio position's value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio position should increase. In the event of an imperfect correlation between a position in a hedging instrument and

the portfolio position that it is intended to protect, the desired protection may not be obtained, and the Fund may be exposed to risk of loss. In addition, it is not possible to hedge fully or perfectly against any risk, and hedging entails its own costs. Positions which would typically serve as hedges may actually move in the same direction as the instruments they were initially attempting to hedge, adding further risk to the Fund. The Adviser may determine not to hedge against certain risks and certain risks may exist that cannot be hedged.

***Custody Risk.*** There are risks involved in dealing with the Fund's custodians, dealers and/or prime brokers. The Fund is expected to maintain custody accounts with its custodians, dealers and prime brokers. Although the Adviser monitors the custodians, dealers and prime brokers utilized by the Fund and believes that they are appropriate custodians, there is no guarantee that the custodians, dealers and prime brokers that the Fund may use from time to time, will not become bankrupt or insolvent. While both the U.S. Bankruptcy Code, as amended, and the U.S. Securities Investor Protection Act of 1970, as amended, seek to protect customer property in the event of a bankruptcy, insolvency, failure, or liquidation of a broker-dealer, there is no certainty that, in the event of a failure of a broker-dealer that has custody of the Fund's assets, the Fund would not incur losses due to its assets being unavailable for a period of time or the ultimate receipt of less than full recovery of its assets, or both.

The Fund or its custodians, dealers and prime brokers may appoint sub-custodians in certain non-U.S. jurisdictions to hold the assets of the Fund. The custodians, dealers and prime brokers may or may not be responsible for cash or assets that are held by sub-custodians in certain non-U.S. jurisdictions, nor for any losses suffered by the Fund as a result of the bankruptcy or insolvency of any such sub-custodian. The Fund may therefore have potential exposure on the default of any sub-custodian and, as a result, many of the protections that would normally be provided to a fund by a custodian may not be available to the Fund. Under certain circumstances, including certain transactions where the Fund's assets are held at a non-U.S. custodian, the securities and other assets deposited with the custodian or broker may not be clearly identified as being assets of the Fund and hence the Fund could be exposed to a credit risk with regard to such parties. Custody services in certain non-U.S. jurisdictions remain undeveloped and, accordingly, there is a transaction and custody risk of dealing in certain non-U.S. jurisdictions. Given the undeveloped state of regulations on custodial activities and bankruptcy, insolvency, or mismanagement in certain non-U.S. jurisdictions, the ability of the Fund to recover assets held by a sub-custodian in the event of the sub-custodian's bankruptcy or insolvency could be in doubt, as the Fund may be subject to significantly less favorable laws than many of the protections that would be available under U.S. laws. In addition, there may be practical or time problems associated with enforcing the Fund's rights to its assets in the case of a bankruptcy or insolvency of any such party.

***Counterparty and Settlement Risk.*** The Fund may invest in various types of OTC instruments, and the Fund may take on credit risk with regard to parties with whom it transacts and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions which generally are backed by clearing organization guarantees, daily marking-to-market, daily settlement, segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. Under certain circumstances, the Fund's counterparties may be granted the

right to sell, pledge, rehypothecate, assign, invest, use, commingle or otherwise dispose of, or otherwise use in its business any collateral it holds from the Fund, free from any claim or right of any nature whatsoever of the Fund. Furthermore, the Fund's assets may not be held at a diverse number of custodians, brokers or dealers, subjecting the Fund to concentrated credit risk with a small number of such parties (or one such party). In valuing OTC derivative instruments, it is anticipated that the Fund will typically rely on quotes or other information provided by counterparties.

***Governmental Filings.*** The Adviser may, in its sole discretion, elect to cause the Fund to refrain from entering into a transaction that the Adviser may otherwise have caused the Fund to enter into if such transaction would cause the Fund, any Other Managed Fund, any Acquisition Entity, the Adviser or any of their respective affiliates to make a governmental or regulatory filing in the United States or any non-U.S. jurisdiction. Any such election by the Adviser may cause the Fund to (x) forgo an investment opportunity that the Adviser had determined may otherwise generate a profit for the Fund and/or (y) incur additional expenses, including without limitation, brokerage and/or legal fees.

***Exchange-Traded Funds.*** The Fund may invest in exchange-traded funds ("ETFs"), which are registered investment companies. Investments in an ETF are also subject to the fees and expenses of the ETF, which may include a management fee, other fund expenses, and a distribution fee. It should be noted that the Investment Company Act places certain restrictions on the percentage of ownership that a private investment fund may have in a registered investment company.

***Concentration and Diversification.*** Even though the Adviser expects to generally follow the investment policies and guidelines as set forth in the Memorandum, the Fund will not be limited to such policies or guidelines with respect to diversification of its portfolio.

Because the Fund is expected to have the ability to concentrate its investments in a few industries, issuers and financial instruments, the negative impact on the value of the assets of the Fund to adverse movements in a particular economy or industry or in the value of the securities of particular issuer or financial instrument could be considerably greater than if the Fund were not permitted to concentrate its investments to such an extent. Any loss with respect to a financial instrument held by the Fund may have a significant adverse impact on the Fund.

***Fund Expenses.*** The expenses of the Fund may constitute a higher percentage of its net assets than would be found in other investment entities. In addition, legal and research expenses, including the fees and expenses associated with advisers, third-party research, recommendations, pricing tools and/or other services utilized by the Adviser in its investment decision making process may be a higher percentage of net assets than would be found in other investment entities based on certain strategies utilized by the Fund. Such fees and expenses may be an even greater percentage of net assets in the initial phase of implementation of any such strategy.

***Reliance on Human Discretion.*** The Fund's investment strategies and, the investment decisions are largely based on human discretion, and in particular on that of the personnel of the Adviser. The Adviser and its employees will endeavor to exercise that discretion in a reasonable



manner, but no guarantee can be made that such decisions will be successful or not have unintended or unforeseen consequences.

There can be no assurance that the Adviser has or will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on the Fund's investments. Prices of the Fund's investments may be volatile, and a variety of factors that are inherently difficult to predict may significantly affect the results of the Fund's activities and the value of its investments. No guarantee or representation is made that the Fund's investment objective will be achieved or that the Fund will be able to avoid significant losses.

***Investment Company Act.*** The Fund is not expected to be registered under the Investment Company Act. Consequently, the significant investor protection provisions of the Investment Company Act will not apply to an investment in the Fund.

***Investment Advisers Act.*** The Adviser is registered as an investment adviser with the SEC pursuant to Section 203 of the Advisers Act and is therefore subject to the rules and regulations promulgated thereunder. However, the Adviser's registration with the SEC should in no way be viewed as an endorsement of the Adviser or the Fund by the SEC or any other regulatory body.

***Regulatory Changes.*** It is possible that changes in applicable laws and regulations may affect the Fund's operations. In addition, a number of substantial regulatory changes are pending or in the process of changing in certain markets. However, the consequences of additional regulation on the liquidity and the functioning of the markets in which the Fund invests (and, possibly, on the Adviser itself) cannot be predicted and may materially diminish the profitability of investment opportunities for the Fund.

The financial services industry generally, and the activities of alternative investment funds and their managers in particular, have been subject to intense and increasing regulatory scrutiny. Such scrutiny may increase the exposure of the Fund, the Adviser and/or the Managing Member to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight can also impose administrative burdens on the Managing Member, including, without limitation, responding to investigations and implementing new policies and procedures. Such burdens may divert the Managing Member's time, attention and resources from portfolio management activities. Significant amounts of the time and operational capacity of the Adviser will be spent dealing with regulatory changes and, particularly as an investment adviser registered with the SEC, dealing with current regulations and timely responses to inquiries from the SEC and other regulators. Significant amounts of the time and operational capacity of the Adviser may be expended to address regulatory changes and, particularly as an investment adviser registered with the SEC, to address current regulations and to provide timely responses to inquiries from the SEC and other regulators.

***HIRE Act and Compliance with U.S. Withholding Requirements.*** Certain of the Acquisition Entities formed outside of the United States may be subject to the United States Hiring Incentives to Restore Employment Act (the "HIRE Act") and must comply with certain obligations.

The Foreign Account Tax Compliance Act (FATCA) provisions of the HIRE Act provide that a foreign financial institution which may include certain of the Acquisition Entities is required to disclose the name, address and taxpayer identification number of certain United States persons that own, directly or indirectly, an interest in such entity, as well as certain other information relating to any such interest. If an Acquisition Entity fails to comply with these requirements, then a 30 per cent withholding tax may be imposed on payments to the Acquisition Entity of U.S. source income (such as interest or dividends) and proceeds from the sale of property that could give rise to U.S. source interest or dividends. The withholding tax provisions of the HIRE Act became effective on July 1, 2014 with respect to dividends and interest and will become effective on January 1, 2019, in the case of proceeds from the sale of property. The Fund intends to cause the Acquisition Entities to satisfy any obligations imposed on them to avoid the imposition of this withholding tax, although no assurance can be given that the Fund will be able to do so. If an Acquisition Entity becomes subject to a withholding tax as a result of the HIRE Act, the value of shares in the Acquisition Entity held by the Fund may be materially affected, which will in turn effect the value of membership interests in the Fund.

**Valuation.** Generally, the Managing Member will determine the value of all the Fund's investments for which market quotations are available based on publicly available quotations. However, market quotations will not be available for virtually all of the Fund's investments because, among other things, the securities of portfolio companies held by the Fund generally will be illiquid and not quoted on any exchange. The Managing Member, in its sole discretion, will determine the value of all the Fund's investments that are not readily marketable based on ASC 820 guidelines as promulgated by the Financial Accounting Standards Board and any subsequent valuation guidelines required of an investment fund reporting under generally accepted accounting principles as promulgated in the United States. There can be no assurance that the Managing Member will have all the information necessary to make valuation decisions in respect of these investments, or that any information provided by third parties on which such decisions are based will be correct. There can be no assurance that the valuation decision of the Managing Member with respect to an investment will represent the value realized by the Fund on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation. Accordingly, the valuation decisions made by the Managing Member may adversely affect the diversification and management of the Fund's portfolio of investments.

Investments in funds managed by Third-Party Managers will be valued based on the capital statements provided by such funds. To the extent that they take part in the valuation, such Third-Party Managers are not free from conflict in valuing their own funds.

Additionally, in light of the foregoing, there is a risk that an investor who withdraws all or part of his investment while the Fund holds such private or thinly traded investments will be paid an amount less than the actual value of such investments, to the extent that such actual value is higher than the value designated by the Fund. Similarly, there is a risk that such investor might, in effect, be overpaid if the actual value of the private or thinly traded investment is lower than the value designated by the Fund.

The Managing Member may also use and rely on financial models, third-party or affiliated, in pricing securities or other assets. The Managing Member and its affiliates are entitled to rely,

without independent investigation, upon pricing information and valuations furnished by third parties, including brokers, dealers, market makers and/or third-party pricing services.

***Reliance on TSI.*** TSI is expected to provide various services to the Adviser pursuant to the Services Agreement (defined in Item 10 below), including, but not limited to, administrative, legal, technical and clerical services, access to technology equipment and office facilities, maintenance and support services, and other related and miscellaneous services. The Adviser will pay TSI a fee for the provision of these services; however, such fee will be borne by the Adviser and not directly or indirectly by its clients. All personnel of the Adviser will have a direct employment relationship with TSI.

Because of the services provided to the Adviser by TSI, the Adviser's performance will be materially dependent on TSI and the talents and efforts of individuals employed by TSI. TSI is not a fiduciary to the Adviser or to any of its clients. The success of the Adviser and the Fund will largely be dependent upon TSI's ability to continue to provide services to the Adviser. If TSI ceases to do so, or to do so effectively, the Adviser and the Fund will be adversely affected. The Adviser has no control over TSI and TSI may make decisions without regard to, knowledge or consideration of, the business objectives of the Adviser or the investment objective of the Fund (subject to the Services Agreement).

***Cybersecurity Risk.*** The information and technology systems of the Adviser, TSI and of key service providers to the Fund may be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Adviser has (directly or through its affiliates) implemented various measures designed to seek to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, it may be necessary for the Adviser or a service provider to make a significant investment to fix or replace them and to seek to remedy the effect of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of the Fund and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information.

In addition, in connection with the services provided to the Fund, an investor's personal data will be subject to the Adviser's privacy policy. An investor's personal data may be shared with certain Sightway Affiliates and may be transferred and/or stored in various jurisdictions in which Sightway Affiliates, the Fund's administrator or sub-administrator and/or their respective affiliates have a presence. Such jurisdictions may not offer a level of personal data protection equivalent to the investor's country of residence.

***General Economic Conditions.*** General economic conditions may affect the value and number of investments made by the Fund or considered for prospective investment.

***Competitive Marketplace.*** The Fund will compete with other funds (potentially including the Other Managed Funds) and institutional investors for the same or similar investment opportunities. There is no guarantee that the Fund will be successful in doing so.

***Distributions-In-Kind.*** The Managing Member may in its sole discretion cause the Fund to distribute securities or other investments as distributions in-kind to investors that request or consent to such distributions in writing or without such consent in connection with the dissolution or winding-up of the Fund. Such securities or other investments may not be readily marketable or salable and may have to be held by the Fund's investors for an indefinite period of time. Additionally, the fair market value of such securities or other investments will be determined by the Managing Member in its sole discretion. Accordingly, the fair market value of such securities or other investments may not reflect the price at which they could be sold in the market, and the difference between fair market value and the ultimate sales price could be material. If the valuations made by the Managing Member are incorrect, the amount of any Incentive Allocations in respect of such securities or other investments also could be incorrect, which could result in adverse consequences for an investor, including but not limited to reduced returns.

***Tax Obligations.*** Investors will be allocated their proportionate share of the taxable income of the Fund. The Fund may make distributions, including tax distributions and to return excess cash that the Adviser does not anticipate utilizing in the foreseeable future, although the Adviser may in its sole discretion decide not to do so. Accordingly, investors may have to satisfy any tax obligations arising from their investment in the Fund from sources other than income from the Fund.

***Reliance on the Adviser.*** The success of the Fund's investments is dependent upon the ability of the Adviser to develop and implement investment strategies that achieve the Fund's investment objective. If the Adviser ceases to be involved in the management of the Fund or its portfolio, the Fund could be adversely affected. There is no prohibition on the Adviser or any principal, officer or employee of the Adviser or its affiliates resigning. Investors have no special withdrawal rights if the Adviser (or any principal, officer or employee of the Adviser or its affiliates) was to cease to be involved in the management of the Fund; rather, such investors would have the right to withdraw their interests only in accordance with the withdrawal provisions detailed in the Fund Agreement. Investors will be notified if the Adviser no longer participates in the business operations of the Fund. In such case, it is possible that a significant number of investors would exercise their right to withdraw at the next applicable withdrawal date and the remaining investors could experience significant losses. In addition, there can be no assurance that enough investors would choose to maintain interests in the Fund to make it feasible to continue to manage the Fund's portfolio. Moreover, the performance and investment profile of other investment funds, entities or accounts managed by the Adviser or its affiliates should not be used as an indicator of the likely performance or investment profile of the Fund.

***Reliance on Other Managers.*** The Fund's performance is expected to be in part materially dependent on the talents and efforts of individuals employed by Third-Party Managers and the manager of TSV Fund II. The Managing Member will have no control over the day-to-day operations of any of the selected Third-Party Managers or TSV Fund II's manager. There can be no assurance that TSV's manager or each Third-Party Manager engaged by the Fund will invest as expected by the Managing Member.

***Trading Restrictions.*** In the course of its activities, there is a risk that the Adviser will receive material non-public information. The Adviser may receive such information directly as a result of its investment advisory activities for the benefit of the Fund, or indirectly as a result of its

relationship with affiliates. In such event, the Fund may be restricted from investing in certain securities regardless of whether the activities leading to the receipt of material non-public information were for the benefit of the Fund or otherwise. Such restrictions may have a material impact on the gains and losses of the Fund.

***Limited Withdrawal and Transfer Rights.*** An investment in the Fund provides limited liquidity because investors generally will be permitted to make withdrawals only as of the last calendar day of each calendar year. In addition, Fund interests may only be transferred with the prior written consent of the Managing Member. Under certain circumstances, the Managing Member may restrict the right of any Member to withdraw its interest in its sole discretion and the Managing Member may delay, the payment of such proportion of a proposed withdrawal as is reasonably related to the reasons for such delay. Accordingly, the Fund interests should only be acquired by investors willing and able to commit their assets for an appreciable period of time.

***Portfolio Company Reliance on Sightway.*** Sightway (or its affiliates) may provide significant support to certain portfolio companies in the form of support sourcing, evaluating, negotiating and executing transactions and financings, as well as accounting, recordkeeping, transaction processing and other back-office services. If Sightway or its affiliates became unable to provide such services, the performance of the applicable portfolio companies and, accordingly, the performance of the Fund, could be materially affected.

***Lack of Management Control.*** The interests in the Fund are generally non-voting, so investors are generally precluded from participating in the Fund's management. Investors must rely on the Adviser to manage and conduct the affairs of the Fund. The Adviser has wide latitude in making management decisions and may issue new interests at any time in its sole discretion. With limited exceptions, investors will have no right to participate in the decisions of the Adviser. Accordingly, investors have no direct control over the assets of the Fund. If an investor becomes dissatisfied with the operation of the Fund or the investment of its assets, its only recourse will be to seek the consent of the Adviser, which may be withheld in its sole discretion for any reason or no reason at all, to withdraw its interests in the Fund, which recourse may be further limited by the Managing Member's ability to suspend or restrict the determination of the Fund's net asset value.

***Third-Party Litigation.*** The Fund's investment activities are subject to third-party litigation risks. In connection with such litigation actions, the Fund may be obligated to indemnify certain covered persons under the terms of the Fund Agreement and certain other agreements entered into by the Fund.

## **Conflicts of Interest**

The Adviser's affiliates currently serve in similar capacities to Other Managed Funds and expect to advise other clients and funds, whose accounts may purchase or sell the same and/or related financial instruments or other investments as those purchased or sold by the Fund. In addition, the Adviser's affiliates organize other U.S. or non-U.S. funds, which may be managed by the Managing Member, the Adviser or their affiliates and which may have investment objectives substantially similar to those of the Fund. The Adviser's affiliates may also manage other funds and accounts that may purchase or sell the same and/or related financial instruments as those purchased or sold by the Fund and may seek investment opportunities that may be of

interest to the Fund. In managing such funds and accounts (collectively with the Other Managed Funds, the “Related Funds”), conflicts of interest may arise.

Investors in the Fund include persons or entities organized in various tax jurisdictions, which may have conflicting investment, tax and other interests with respect thereto. As a result, conflicts of interest may arise in connection with decisions made by the Adviser that may be more beneficial for one type of Fund investor than for other types of Fund investors, especially with respect to investors' individual tax situation (including with respect to the nature or structuring of investments). In making decisions, the Adviser intends to consider the investment objectives of the Fund as a whole, and not the investment objectives of any investor of the Fund individually. Because the commitments contributed by the Fund's investors are primarily composed of commitments by certain of the founding members of the Adviser and its affiliates (the “Founder Investors”), conflicts may arise between the interests of the Founder Investors and those of the Fund and its investors who are not Founder Investors in relation to certain decisions regarding, among other things, the nature of investments made by the Fund, the structuring or the acquisition of investments and the timing of disposition of investments. The Founder Investors retain certain rights with respect to the Fund's investment decisions, which may create a conflict of interest between the interests of the Founder Investors and the interests of other investors in the Fund.

As stated above, it is anticipated that the Fund will seek to achieve U.S. dollar-denominated returns by building a diversified portfolio, with a focus on low correlation to the Other Managed Funds. In seeking this low correlation, many, if not all, of the Other Managed Funds may achieve higher and, at times, substantially higher returns than the Fund. Regardless of their ability to generate high returns, the Fund will generally not be given access to the strategies utilized by the Adviser and its affiliates on behalf of the Other Managed Funds. In addition, instances may arise where the Adviser exercises its discretion not to pursue a particular investment opportunity on behalf of the Fund because of the potential restrictions that such pursuit may have on the Adviser's or its affiliates' ability to invest in or trade certain securities (or other assets) related to such investments on their own behalf or on behalf of their other clients. Additionally, because the Fund's investors are comprised of current or former partners or employees of the Adviser and its affiliates or their estate planning vehicles (or other similar investors), the Adviser has an incentive to provide support to the Fund that it may not otherwise provide to vehicles whose investors are comprised of unrelated third-parties.

The Adviser and its affiliates have the ability to invest in financial instruments for their own accounts. This may on occasion create conflicts of interest with the Fund with regard to such matters as allocation of opportunities to participate in particular investments or to dispose of certain investments. Employees of the Adviser may engage in personal investment activities that could involve a conflict of interest with the investment activities of the Fund.

The Adviser's personnel may have conflicts of interest in allocating their time and activity between the Fund and the Related Funds, in allocating investments among the Fund and the Related Funds and in effecting transactions between the Fund and the Related Funds, including ones in which the Adviser (and its principals) may have a greater financial interest.

Subject to any relevant restrictions or other limitations contained in the Fund Agreement, the Adviser will allocate fees and expenses in a manner that it believes in good faith is fair and

equitable to its clients under the circumstances and considering such factors as it deems relevant, but in its sole discretion. In exercising such discretion, the Adviser may be faced with a variety of potential conflicts of interest.

The Fund has controlling interests in many of its portfolio companies. With respect to such companies, the Adviser and/or its affiliates typically have the right to appoint portfolio company board members (including current or former Adviser personnel or persons serving at their request), or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members may approve compensation and/or other amounts payable to the Adviser and/or its affiliates. Such amounts will be in addition to any Incentive Allocation paid by the Fund to the Adviser.

Additionally, a portfolio company typically will reimburse the Adviser or service providers retained at the Adviser's discretion for expenses (including without limitation travel expenses) incurred by the Adviser or such service providers in connection with its performance of services for such portfolio company. This subjects the Adviser and its affiliates to conflicts of interest because the Fund is not expected to have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. It is anticipated that the Adviser will determine the amount of these reimbursements for such services in its own discretion, subject to its internal reimbursement policies and practices.

It is expected that the Adviser will generally exercise its discretion to recommend to the Fund or to a portfolio company thereof that it contract for services with (i) the Adviser or a related person of the Adviser (which may include a portfolio company of the Fund), (ii) an entity with which the Adviser or its affiliates or current or former members of their personnel has a relationship or from which the Adviser or its affiliates or their personnel otherwise derives financial or other benefit or (iii) certain limited partners or their affiliates. For example, the Adviser may be presented with opportunities to receive financing and/or other services in connection with the Fund's investments from certain investors or their affiliates that are engaged in lending or related business. This will subject the Adviser to conflicts of interest, because although the Adviser selects service providers that it believes are aligned with its operational strategies and will enhance portfolio company performance and, relatedly, returns of the Fund, the Adviser may have an incentive to recommend the related or other person (including an investor) because of its financial or other business interest. There is a possibility that the Adviser, because of such belief or for other reasons (including whether the use of such persons could establish, recognize, strengthen and/or cultivate relationships that have the potential to provide longer-term benefits to the Fund or the Adviser), may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. Whether or not the Adviser has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable services or could provide such services at lesser cost.

The Adviser and/or its affiliates may also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by the Fund or other investment vehicles advised by the Adviser and/or its affiliates; conversely, former personnel or executives of the Adviser and/or its affiliates may serve in significant management roles at portfolio companies or service providers recommended by the Adviser. Similarly, the Adviser, its affiliates and/or

personnel maintain relationships with (or may invest in) financial institutions, service providers and other market participants, including managers of private funds, banks and brokers. Certain of these persons or entities will invest (or will be affiliated with an investor) in, engage in transactions with and/or provide services (including services at reduced rates) to, the Adviser and/or its affiliates, and/or the Fund or other investment vehicles they advise. The Adviser may have a conflict of interest with the Fund in recommending the retention or continuation of a third-party service provider to the Fund or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in the Fund, will provide the Adviser information about markets and industries in which the Adviser operates (or is contemplating operations) or will provide other services that are beneficial to the Adviser. The Adviser may 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 Fund, while the products or services recommended may not necessarily be the best available to the portfolio companies held by the Fund.

The Adviser, its affiliates, and equity holders, officers, principals and employees of the Adviser and its affiliates may buy or sell securities or other instruments that the Adviser has recommended to the Fund. In addition, officers, principals and employees may buy securities in transactions offered to but rejected by the Fund. Such transactions are subject to the policies and procedures set forth in the Adviser's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of the Fund. Employees and related persons of the Adviser have, and are expected to continue to have, capital investments in the Fund, or in prospective portfolio companies directly or indirectly, and therefore may have additional conflicting interests in connection with these investments.

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

Any of these situations will subject the Adviser and/or its affiliates to potential conflicts of interest. The Adviser will attempt to resolve such conflicts of interest in light of its obligations to investors in the Fund and the obligations owed by the Adviser's advisory affiliates to investors in investment vehicles managed by them, and attempts to allocate investment opportunities among the Fund and such investment vehicles in a fair and equitable manner. To the extent that an investment or relationship raises particular conflicts of interest, the Adviser will review the circumstances of such investment or relationship with a view to addressing and reducing the potential for conflict.



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## **Item 9. Disciplinary Information**

The Adviser and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

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

In addition to the Adviser, Sightway Affiliates include three investment advisers registered with the SEC, TSI, Two Sigma Advisers, LP (“TSA”) and Two Sigma Investor Solutions, LP (“TSIS”), as well as one broker-dealer registered with the SEC, Two Sigma Securities, LLC (“TSS”). TSI, a Delaware limited partnership, manages third party and proprietary private investment funds. TSA, a Delaware limited partnership, manages third party private investment funds and provides advisory services to certain separately managed accounts. TSIS, a Delaware limited partnership, provides non-discretionary investment advice to institutional clients and operates a private, web-based platform that provides institutional subscribers with access to analytic and research tools and data to help such subscribers manage their investment programs.

TSI and TSA are each registered as both a commodity pool operator and a commodity trading advisor with the U.S. Commodity Futures Trading Commission (the “CFTC”) under the Commodity Exchange Act. Additionally, TSIS is registered as a commodity trading advisor with the CFTC under the Commodity Exchange Act.

TSS is a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”) and a number of other self-regulatory organizations and exchanges.

The Adviser and certain of its related persons are affiliated with and/or own interests in TSA, TSI, TSIS or TSS.

All employees of the Adviser also have a direct employment relationship with TSI.

TSI is expected to provide various services to the Adviser pursuant to a services agreement (the “Services Agreement”) including, but not limited to, trade execution; administrative, legal, technical and clerical services; access to technology equipment and office facilities; maintenance and support services; and other related and miscellaneous services. The Adviser will pay TSI a fee for the provision of these services, however, such fee will be borne by the Adviser and will not be borne, directly or indirectly, by investors who invest in the Adviser’s clients.

Finally, certain related persons of the Adviser are affiliated with and/or own interests in the Managing Member which, as the managing member or allocation shareholder of the Fund, is entitled to receive the performance-based compensation from the Fund as discussed in Item 5 hereof.

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

The Adviser has adopted a Code of Ethics (the “Code”) and certain other policies and procedures that obligate the Adviser and its supervised persons to put the interests of the Fund before their own interests and to act honestly and fairly in all respects in their dealings with Fund. All of the Adviser’s personnel are also required to comply with applicable federal securities laws. The Adviser will supply a complete copy of its Code to the Fund or prospective Fund or any investor or prospective investor in the Fund who requests a copy of the Code by contacting Scott Hendry, by email at [scott.hendry@twosigma.com](mailto:scott.hendry@twosigma.com) or by telephone at (212) 274-2574.

It is anticipated that the Adviser and its related persons will effect transactions for their own accounts in the same securities or other securities purchased and sold for the Fund.

To ensure trading by the Adviser’s supervised persons is conducted (i) in a matter that does not adversely affect the Adviser’s trading on behalf of the Fund and (ii) in a manner that is consistent with the fiduciary duties owed by the Adviser to the Fund, the Adviser has adopted the Code and attendant policies and procedures governing, among other things, transactions by the Adviser’s supervised persons and other “covered persons” (as defined in the Code). The Code and attendant policies and procedures contain provisions designed to, among other things, (i) prevent improper personal trading by the Adviser’s supervised persons and other covered persons; (ii) identify actual or potential conflicts of interest; and (iii) provide guidance in resolving certain actual or potential conflicts of which the Adviser is aware. To accomplish these objectives the Adviser is required under the Code and attendant policies and procedures to, among other things (i) require pre-clearance of personal trades in “reportable securities” (as defined in the Code) by the Adviser’s supervised persons and other covered persons; (ii) restrict the number of such trades by the Adviser’s supervised persons and other covered persons in a given month; (iii) prohibit certain trading by the Adviser’s supervised persons and other covered persons in securities of issuers listed on the Adviser’s, TSA’s and TSI’s “restricted list” (as defined in the Code); and (iv) require minimum holding periods in connection with certain transactions.

The Adviser does not anticipate engaging in principal transactions in the ordinary course of business operations. In the event the Adviser and/or its affiliates engage in such transactions (for example, when transitioning a portfolio from one vehicle to another in connection with a fund launch or reorganization), the Adviser expects to seek to effect any such transaction in accordance with the requirements of Section 206(3) of the Advisers Act.

The Adviser has also adopted policies and procedures regarding the receipt of gifts and business entertainment by the Adviser’s employees from certain third parties (*e.g.*, vendors, broker-dealers, consultants, etc.). Specifically, these policies and procedures require employees to report the receipt of gifts and business entertainment in excess of pre-established *de minimis* thresholds. The Adviser reviews these reports for any potential conflicts of interest with respect to individual instances of gifts or business entertainment, as well as patterns of the same over time, to seek to prevent employees from placing their own interests ahead of the interest of the Fund.

The Code and the Adviser's other policies and procedures also address the following key areas: (i) recordkeeping; (ii) oversight of the Code; (iii) conflicts of interest; (iv) the treatment of confidential information; (v) compliance with SEC rules and regulations; and (vi) reporting misconduct. Periodic training regarding the Code and the Adviser's other policies and procedures are provided to the Adviser's supervised persons. Policies and procedures related to, among other things, Pay-to-Play rules, gifts and business entertainment and outside business activities are located in the Adviser's compliance manual.

The Adviser may come into possession of certain information that it believes to be confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security. The Adviser may receive such information directly as a result of its investment advisory activities for the Fund, indirectly as a result of its relationship with affiliates including, but not limited to, TSA, TSI, TSIS and TSS, or through other activities such as strategic partnership negotiations or an employee's board or credit committee service. The Adviser will have no responsibility or liability to the Fund for not disclosing such information to the Fund (or the fact that the Adviser possesses such information), or not using such information for the Fund's benefit, as a result of following the Adviser's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

The Adviser's advisory affiliates are permitted to engage in transactions for their own accounts and engage in personal transactions in which the Fund invests in accordance with the Code. These activities create conflicts of interest between the Adviser's advisory affiliates and the Fund with regard to such matters as allocation of opportunities to participate in, or refrain from participation in, particular transactions.

The Code contains provisions designed to prevent improper personal trading by the Adviser's supervised persons. Pursuant to the Code, all of the Adviser's "access persons" (e.g., any partner, officer, director, member, or employee of the Adviser) and "covered persons" (e.g., any such access person's spouse, immediate family members, any person to whom an access person provides primary financial support, partnerships and corporations in which access persons maintain a certain level of beneficial interest, and any person with whom access persons share common financial support) must obtain pre-approval prior to trading a reportable security as defined under Rule 204A-1 and the Rules and Regulations promulgated under the Advisers Act, unless such person has a managed account with an independent adviser who has discretionary investment authority. The Adviser's access persons and covered persons are prohibited from trading securities on any applicable restricted list, and generally are prohibited from participating in "new issues." Short selling is prohibited. The Adviser's current personal trading policies limit the brokers that supervised persons can use for personal trading. All positions in reportable securities need to be disclosed upon joining the Adviser, and duplicate copies of brokerage account statements generally must be sent to the Adviser's compliance group.

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## Item 12. Brokerage Practices

It is anticipated that the Adviser will focus on securities transactions of private companies and generally purchases and sells such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, the Adviser may also distribute securities to investors in the Fund or sell such securities, including through using a broker-dealer, if a public trading market exists. Although the Adviser does not intend to regularly engage in public securities transactions, to the extent it does so, it follows the brokerage practices described below.

If the Adviser sells publicly traded securities for the Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Adviser. In such event, the Adviser will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Adviser may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) responsiveness to requests for trade data and other financial information.

The Adviser has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although the Adviser generally seeks competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with the Adviser seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although the Adviser generally does not make use of such services at the current time and has not made use of such services since its inception.

In the Adviser’s private company securities transactions on behalf of the Fund, the Adviser may retain one or more broker-dealers or investment banks, the costs of which will be borne by the Fund and/or its portfolio companies. In determining to retain such parties, the Adviser may consider a variety of factors, including: (i) capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered; and (iv) responsiveness to requests for information. As a result, although the Adviser generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and the Fund may not pay the lowest commission or fee for such services.

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

The investments made by the Fund are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, the Adviser closely monitors companies in which the Fund invests, and such companies are subject to supervision and review by the Adviser's investment professionals.

The Fund generally will provide to its investors annual GAAP audited and quarterly unaudited financial statements.

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## **Item 14. Fund Referrals & Other Compensation**

The Adviser and/or its affiliates may provide certain business or consulting services to companies in the Fund's portfolio and may receive compensation from these companies in connection with such services.

The Adviser does not currently compensate any person for Fund referrals.

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## **Item 15. Custody**

It is expected that the Adviser and certain of its affiliates will generally be deemed to have custody of Fund assets and, where applicable, intend to comply with Rule 206(4)-2 under the Advisers Act, by meeting the conditions of the pooled vehicle annual audit provision.



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## **Item 16. Investment Discretion**

It is expected that the Adviser will have discretionary authority to manage investments on behalf of the Fund. As a general policy, the Adviser does not allow clients to place limitations on this authority. The Adviser will assume this discretionary authority pursuant to the terms of the investment management agreement and powers of attorney executed by the investors of the Fund.

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## **Item 17. Voting Fund Securities**

When the Adviser votes proxies with respect to the securities of the Fund, the Adviser will employ proxy voting guidelines and proxy voting procedures that are designed so that such proxies are voted in accordance with the Adviser's determination of the best interests of the Fund. The Adviser may choose to cease voting proxies, or not vote proxies, on behalf of certain of the Fund in the future. It is expected that the Fund will not be permitted to direct its votes in a particular solicitation.

When voting proxies on behalf of certain private investment funds and commingled vehicles, the Adviser will vote proxies in accordance with its internal policies and procedures. If a material conflict of interest between the Adviser and the Fund exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the Fund or take some other appropriate action.

An investor in the Fund will be able to obtain (i) a copy of the Adviser's proxy voting policies and procedures and (ii) information on how the Adviser voted proxies for the Fund by contacting the Adviser at (212) 625-5723.

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## **Item 18. Financial Information**

It is expected that the Adviser will not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.