

**PART 2A OF FORM ADV: FIRM BROCHURE**

**CHSO MANAGEMENT, LLC**

CHSO Partners II, LLC  
CHSO II SFP-TSF LLC

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This brochure provides information about the qualifications and business practices of CHSO Management, LLC (collectively with its relying advisers, “CHSO”). If you have any questions about the contents of this brochure, please contact Andrea Pekala at (202) 621-8185 or [apekala@capricornllc.com](mailto:apekala@capricornllc.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Additional information about CHSO is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). References to CHSO as a “registered investment adviser” do not imply any level of skill or training.

## **ITEM 2 – MATERIAL CHANGES**

Because this is CHSO's first Part 2A of Form ADV filed with the SEC, there are no material changes to report.

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## ITEM 4 – ADVISORY BUSINESS

### A. **Overview.**

This Brochure provides information about CHSO Management, LLC (“CHSO Management”) and its relying advisers, CHSO Partners II, LLC (“CHSO Partners II”) and CHSO II SFP-TSF LLC, (“CHSO II SFP-TSF” and, together, with CHSO Management and CHSO Partners II, “CHSO”). Each of CHSO Management and CHSO Partners II previously were “relying advisers” of Capricorn Investment Group, LLC (“Capricorn”).

CHSO Management, LLC, a Delaware limited liability company formed on July 21, 2015, provides its advisory services in conjunction with CHSO Partners II, LLC, a Delaware limited liability company also formed on July 21, 2015. CHSO Management and CHSO Partners II provide discretionary investment advisory services to private pooled investment vehicles and separately managed accounts. CHSO II SFP-TSF is a newly formed entity intended to manage certain separately managed accounts currently managed by CHSO Management. In addition, Capricorn owns an interest in certain other subsidiaries, affiliates, and other related entities of CHSO Management, LLC and CHSO Partners II.

The sole owners of CHSO Management and the principal owners of CHSO Partners II are Barry Uphoff and Shahab Vagefi. Capricorn also holds a greater than 25% ownership interest in CHSO Partners II. CHSO II SFP-TSF is wholly-owned by CHSO Management. On a day-to-day basis, CHSO is run by Barry Uphoff and Shahab Vagefi.

### B. **Advisory Services.**

CHSO provides discretionary investment advice to funds and separately managed accounts (each a “Fund” and together, the “Funds”), which generally make investments in the healthcare and wellness sector. CHSO does not offer non-discretionary investment advisory services to separately managed accounts.

### C. **Tailoring of Advisory Services.**

Investment advice is provided directly to the Funds and not individually to the investors in the Funds. In providing services to the Funds, CHSO formulates each Fund’s investment objectives, directs and manages the investment and reinvestment of each Fund’s assets, and provides reports to investors. CHSO provides investment advisory services to each of the Funds pursuant to separate advisory agreements and manages the assets of the Funds in accordance with the governing documents applicable to each Fund.

### D. **Wrap Fee Programs.**

CHSO does not participate in wrap fee programs.

### E. **Discretionary and Non-Discretionary Client Assets.**

As of March 31, 2018, CHSO managed \$1,041,234,666 in regulatory assets under management on a discretionary basis.

## ITEM 5 – FEES AND COMPENSATION

### A. Compensation and Fee Schedule.

The governing documents of each Fund set forth in detail the fee structure relevant to such Fund.

CHSO typically receives compensation from fees based on a percentage of assets under management, carried interest distributions, and payment of certain other fees or expenses, in each case, as disclosed in each Fund's governing documents. Investors should review all fees and expenses incurred by the Funds to fully understand the total amount of fees and expenses to be paid by a Fund.

CHSO may negotiate fees and waive all or a portion of the fees paid by investors in the Funds. CHSO may, in its discretion, enter into different fee arrangements with different Funds or investors in the Funds for the same investment management services, including CHSO employees and affiliates.

### B. Deduction of Fees.

Management fees payable by a Fund are generally deducted from cash held by such Fund following the funding of undrawn capital commitments by investors in such Fund, or the withholding of such amounts from proceeds otherwise distributable by such Fund, in each case in accordance with such Fund's governing documents.

### C. Fees and Expenses.

As compensation for investment advisory services to the Funds, CHSO generally receives a management fee, depending on each Fund's governing documents. Certain of the Funds do not pay management fees.

As set forth in their governing documents, the Funds are generally responsible for costs, fees and expenses in connection with the formation and organization of such Funds.

As disclosed in each Fund's governing documents, each Fund will typically bear all fees, costs, expenses, charges and other obligations incurred by or on behalf of such Fund. These expenses will vary by Fund, but typically will include, among other items, (a) fees and expenses associated with the sourcing, diligencing, researching, evaluating, negotiating, structuring, acquiring, holding, monitoring, restructuring, seeking of disposition opportunities for, and disposing of investments and potential investments (whether or not consummated) (including, without limitation, fees and expenses related to the registration of any securities, reasonable expenses for business development and entertainment related to the sourcing or monitoring of the investments and prospective investments, subscription costs for market or industry research or software, fees for third party research, data, analytics, modeling, structuring, pricing, and execution, service fees (including data feeds, subscriptions, reports and similar items), and fees related to attending industry conferences); (b) legal, consulting (including fees and expenses of senior advisors, operating partners and similar persons and advisors), investment banking, commercial banking, borrowing, custodial, auditing, accounting, sourcing, valuation, appraisal, administrator (including

fees and expenses associated with such Fund's reporting software, investor portal, and customer relationship management software), reporting, advisory, lending, underwriting, tax professional, and other professional service fees and expenses (which may include retainer, periodic, finder's, performance-based and/or success-based fees) and brokerage fees and commissions; (c) fees and expenses associated with the preparation of financial statements, tax returns and other filings and Schedules K-1 of such Fund and its general partner and for the investors (and any related reports or filings); (d) fees and expenses related to any actual or threatened litigation, investigation, inquiry, audit, examination, dispute, arbitration or other proceeding involving such Fund, its general partner, CHSO, or their respective affiliates (and their respective officers, partners, members, directors and employees) related to activities of such Fund and any judgments, fines, settlements, awards or damages related thereto; (e) any taxes, fees or other governmental charges assessed against such Fund; (f) fees and expenses incurred in connection with any transfer or proposed transfer of interests in such Fund (to the extent not paid by the transferor and/or transferee); (g) fees and expenses incurred in connection with such Fund's legal and regulatory compliance (including legal and regulatory fees and expenses incurred by its general partner or CHSO in connection with such Fund's activities); (h) fees and expenses incurred in connection with the preparation and submission of filings or reports with the SEC (including, without limitation, Form PF, Form 13H, Form 13F, Section 16 filings, Schedule 13D filings, Schedule 13G filings and any other filings directly or indirectly resulting from an investment by such Fund) and any other national, state, provincial or local regulatory agencies or authorities in any country or territory; (i) insurance premiums on behalf of such Fund, its general partner, CHSO and their respective affiliates (and their respective officers, partners, members, directors and employees) and premiums for any "key man" insurance; (j) payments pursuant or related to indemnification obligations under the governing documents; (k) fees and expenses incurred in connection with distributions (including any distributions in-kind) to the investors; (l) fees and expenses incurred in connection with the dissolution, liquidation and final winding up of such Fund; (m) fees and expenses incurred in connection with annual or other meetings of investors and such Fund's advisory board (including the advisory board members' travel and travel-related expenses related to attending advisory board meetings), whether individually or as a group, and any other conference or meeting with any investor(s) (including any fees paid to third party speakers related to such conferences or meetings); (n) fees and expenses incurred in connection with a proposed investment that is not ultimately made or a proposed disposition of an investment that is not actually consummated (e.g., broken deal expenses); (o) fees and expenses related to unconsummated investments that would have been allocable to co-investors had such investments been made; (p) fees and expenses associated with the preparation, printing and distribution of reports to the investors; (q) fees and expenses incurred in connection with the formation, organization, management, operation, dissolution, liquidation, and final winding up of any alternative investment vehicles and other intermediate entities; and (r) fees and expenses related to defaults by investors in their payment of capital contributions and enforcement costs related thereto (to the extent not paid by the defaulting investor); (s) fees and expenses incurred in connection with complying with or seeking amendments to, and waivers, consents, decisions or approvals pursuant to, the governing documents, any side letters and related agreements; (t) interest and other fees and expenses incurred in respect of borrowings and indebtedness (including, without limitation, any credit facility, guarantee, letter of credit or other credit support) made by such Fund, and the costs and expenses of any lenders and other financing sources; (u) fees and expenses of depositaries, representative agents, paying agents, and similar agents and persons; (v)

fees and expenses incurred by such Fund's partnership representatives; (w) fees and expenses related to communications, marketing and publicity, in each case, to the extent incurred in connection with any of such Fund's activities; and (x) all other ordinary operating costs, fees and expenses, including travel (including, as permitted by CHSO policies and procedures, business class travel) and travel-related (e.g., meals and lodging) expenses incurred in connection with such Fund's affairs, and non-recurring or extraordinary costs, fees and expenses attributable to the activities and operations of such Fund. Over the term of a Fund, aggregate expenses to be borne by that Fund (and as a result its investors) are usually substantial and will reduce returns to investors.

CHSO and certain of its affiliates and employees may receive fees from actual or prospective portfolio companies, including break-up and topping fees, commitment fees, transaction fees, monitoring and advisory fees (including on an accelerated basis), directors' fees, financing fees, divestment fees, or other fees. All or a certain portion of such fees generally will offset management fees to be paid by the applicable Fund to CHSO in accordance with such Fund's governing documents. Any such offset generally will be allocated among the Funds based on their relative amounts invested in (or proposed to be invested in) the applicable portfolio company, subject to applicable legal, tax or regulatory considerations. See each Fund's governing documents, and the conflict of interest discussion in Item 11 below, for additional information on these fees.

Monitoring and advisory fees earned by CHSO or its affiliates in connection with a Fund's investment in a portfolio company may be payable as a fixed dollar amount, may be determined based on the performance of such portfolio company, or may be calculated as a percentage of EBITDA (or other similar metric). The terms of a monitoring agreement may in certain instances provide for an acceleration of fees paid to CHSO or its affiliates upon termination following certain milestones (such as an initial public offering or sale), which in some cases may extend past the term of a Fund; in such instances, CHSO may be entitled to or elect to receive a lump-sum termination fee with respect to such arrangements.

Operating partners, senior advisors, and similar persons ("Operating Executives") may be retained by CHSO and/or the Funds. Such persons may be engaged to assist on various matters related to the Funds and actual or potential portfolio companies, including sourcing investments, conducting due diligence, providing industry expertise, facilitating transactions and providing executive functions at portfolio companies. To the extent permitted by a Fund's governing documents, a Fund or its portfolio companies are expected to bear all or a portion of the fees of these Operating Executives for their services. Any such fees or other remuneration received by Operating Executives may be retained by such persons, do not offset management fees and will not benefit a Fund or its investors. Operating Executives may also make investments directly in portfolio companies (including independently from, or alongside, a Fund), and Operating Executives typically do not pay fees to CHSO in connection with such investments.

It should be noted that detailed disclosure about the fees and expenses applicable to the Funds is included in the governing documents related to the Funds (which should be carefully reviewed prior to an investment in the Funds).

D. **Prepayment.**

CHSO's management fee is generally payable quarterly in advance. Subject to the terms of the applicable governing documents, if CHSO does not provide services for the full period in respect of which such management fees are paid, CHSO will generally return a pro rata portion of such management fees calculated based on the number of days remaining in the applicable time period.



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

As described in Item 5, CHSO (or an affiliate) is entitled to receive performance-based compensation in the form of carried interest from certain Funds. A detailed description of the carried interest calculation methodology applicable to a Fund can be found in the relevant Fund's governing documents. Such performance-based compensation arrangements may create an incentive to invest a Fund's capital more speculatively than would otherwise be prudent in an effort to generate higher performance-based compensation. However, this incentive is mitigated in part by the financial commitment that CHSO (or an affiliate) and its personnel generally make to the Funds.

## **ITEM 7 – TYPES OF CLIENTS**

CHSO provides investment advisory services to the Funds. Investors in the Funds will be required to meet certain eligibility and suitability qualifications and make certain representations prior to investing in a Fund. Subscription minimums are disclosed in the relevant Fund's offering documents (although CHSO maintains the discretion to accept less than any minimum investment commitment).

Pursuant to the Funds' governing documents, CHSO is permitted to engage independently or with others in other investments or business ventures of any kind. In that regard, to the extent not prohibited by the Funds' governing documents, CHSO may provide investment advice to other investment vehicles, in addition to the Funds.

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

### A. Methods of Analysis and Investment Strategies.

As a general matter, CHSO utilizes the methods of analysis and investment strategies detailed in the governing documents of a Fund, where detailed information concerning CHSO's investment strategies with respect to each Fund can be found. The information contained in this Brochure is a summary only.

CHSO maintains a flexible investment mandate whereby a Fund, subject to its governing documents, may invest in portfolio companies across the capital structure. The Funds' core strategies generally are to invest in equity securities for buyout (control, shared control, or minority recapitalization scenarios) and growth equity opportunities in middle-market companies operating within the North American healthcare and wellness sector. CHSO generally seeks to invest in companies that require capital to scale core technologies, enter new markets, or execute on operational and strategic objectives such as new product introductions, founder transitions, and/or acquisitions. CHSO believes that its extensive experience executing on this strategy in the past, coupled with a patient and disciplined approach to investing, position the Funds to invest in attractive investment opportunities within the healthcare and wellness sector.

### B. Material Risks.

An investment in a Fund involves a number of significant risks, including but not limited to those listed below. Additional risk factors are disclosed in the offering memoranda and/or other governing documents of the relevant Funds. All such risks should be carefully considered by potential investors before making any investment. As a result of these risks, and other risks inherent in any investment, there can be no assurance that a Fund will meet its investment objectives or otherwise be able to carry out its investment program successfully or that an investor will receive a return of its capital. The possibility of partial or total loss of capital exists, and investors must be prepared to bear capital losses that might result from investing in a Fund. **For more information on the particular risk factors which may apply to an investment in each Fund, please carefully review the offering memorandum and/or governing documents of the applicable Fund.**

***Lack of Operating History.*** Each new Fund and general partner established in connection with an offering will have no operating history upon which to evaluate such Fund's likely performance.

***No Assurance of Returns.*** There can be no assurance that investors in any Fund will receive distributions from the Fund in an amount equal to their investment in the Fund. The timing of profit realization, if any, is highly uncertain. Investors should consider whether they are able to withstand a complete loss of their investments prior to investing.

***Future and Past Performance.*** The performance of the Funds' past investments is not necessarily indicative of any Fund's future results. Loss of principal is possible in any given investment.

***Availability of Attractive Investment Opportunities.*** The ultimate success of a Fund will hinge on CHSO's ability to find and invest in attractive investment opportunities. There can be no assurances that these opportunities will be found in sufficient quantity to allow all of a Fund's capital commitments to be drawn within its investment period.

***Competitive Marketplace.*** The marketplace for investing in privately held companies has become increasingly competitive. Participation by financial intermediaries has increased, substantial amounts of funds have been dedicated to making investments in the private sector, and the competition for investment opportunities remains high. Some of the Funds' potential competitors may have greater financial and personnel resources than CHSO. There can be no assurances that CHSO will locate an adequate number of attractive investment opportunities. To the extent that the Funds encounter competition for investments, returns to investors may be materially adversely affected.

***Limited Portfolio Diversification.*** As is typical of firms investing in privately held companies, the investments of a Fund will not be broadly diversified. A downturn of the economy or in the business of any one company could impact the aggregate returns delivered to investors by the applicable Fund. Further, the Funds' investment programs involve investing in healthcare and wellness companies, and as such, the Funds' portfolio will be concentrated in such sector. A portfolio of investments that contains large investments in one sector may be subject to greater change in value (losses or gains, as the case may be) than a portfolio composed of investments in a greater number of sectors.

***No Market; Illiquidity of Interests.*** An investment in a Fund will be illiquid and involves a high degree of risk. There is no public market for interests in a Fund, and it is not expected that a public market will develop. Consequently, investors will bear the economic risks of their investment for the term of a Fund. Prospective investors will be required to represent and agree that they are purchasing the interests for their own account for investment only and not with a view to the resale or distribution thereof.

***Failure to Make Capital Contributions.*** If an investor fails to pay when due installments of its capital commitment to a Fund, and the contributions made by non-defaulting investors and borrowings by the Fund are inadequate to cover the defaulted capital contribution, the Fund may be unable to pay its obligations when due. As a result, the Fund may be subjected to significant penalties that could materially and adversely affect the returns to the investors (including non-defaulting investors). If an investor defaults, it may be subject to various remedies as provided in the applicable Fund's governing documents.

***Unregistered Interests.*** Notwithstanding that CHSO is registered as an investment adviser under the Investment Advisers Act of 1940, and that certain of the Funds may be considered similar in some ways to investment companies, the Funds are not required and do not intend to register as such under the Investment Company Act of 1940 and, accordingly, investors are not afforded the protections of the Investment Company Act of 1940.

***Lack of Investor Control.*** Subject to applicable investment limitations, the applicable general partner of a Fund will have complete discretion in managing such Fund's portfolio. The investors

will not make decisions with respect to the management, disposition or other realization of any investment made by a Fund, or other decisions regarding the Fund's business and affairs.

***Loss of CHSO Principals.*** The loss of one or more of the principals of CHSO could have a significant adverse impact on the business of the Funds. No assurances can be given that each of such principals will continue to be affiliated with CHSO throughout the Funds' terms. Notwithstanding any prior experience that such principals may have in making investments of the type expected to be made by the Funds, any such experience necessarily was obtained under different market conditions and with different companies and products. There can be no assurance that the principals of CHSO will enable the Funds to achieve success.

***Misconduct of Employees and Third Party Service Providers.*** Misconduct or misrepresentations by employees of CHSO or by third party service providers could cause significant losses to the Funds. Employee misconduct may include binding the Funds to transactions that exceed authorized limits or present unacceptable risks and unauthorized activities, concealing unsuccessful activities (which, in either case, may result in unknown and unmanaged risks or losses) or making misrepresentations regarding any of the foregoing. Losses could also result from actions by third party service providers, including, without limitation, failing to recognize transactions and misappropriating assets. In addition, employees and third party service providers may improperly use or disclose confidential information, which could result in litigation or serious financial harm, including limiting the Funds' business prospects or future marketing activities. Despite due diligence efforts, misconduct and intentional misrepresentations may be undetected or not fully comprehended, thereby potentially undermining such due diligence efforts. As a result, no assurances can be given that the due diligence performed by CHSO will identify or prevent any such misconduct.

***Changing Economic Conditions.*** The success of CHSO's investment strategy could be significantly impacted by changing external economic conditions in the United States and globally. The stability and sustainability of growth in global economies may be impacted by terrorism, acts of war or acts of god. Changing economic conditions could potentially adversely impact the performance and valuation of portfolio companies. In addition, the availability, unavailability, or hindered operation of external credit markets, equity markets, and other economic systems upon which the Funds may depend to achieve their objectives may have a significant negative impact on portfolio company operations and profitability. There can be no assurance that such markets and economic systems will be available as anticipated or needed for the Funds to operate successfully.

***Follow-On Investments.*** Each Fund may be called upon to provide additional funding for its existing investments or have the opportunity to increase its investment in such investments. There can be no assurance that a Fund will choose to make follow-on investments or that a Fund will have sufficient funds to do so. Similarly, co-investors may decline to fund their pro rata share of any such follow-on investment. Any decision by a Fund or a co-investor not to make a follow-on investment or their inability to make a follow-on investment may have a substantial negative impact on a portfolio company in need of such an investment or may diminish such Fund's ability to influence the portfolio company's future development.

***Limitations on Ability to Exit Investments.*** CHSO expects that the Funds will exit their Funds' investments in two principal ways: (i) private sales and (ii) initial and secondary public offerings. At any particular time, one or both of these avenues may not be open to the Funds, or timing with respect to these exit mechanisms may be inopportune. As such, the ability to exit from and dispose of investments may be constrained at any particular time.

***Contingent Liabilities on Disposition of Investments.*** In connection with the disposition of an investment in a portfolio company, a Fund may be required to make representations about the business and financial affairs of such company typical of those made in connection with the sale of a business. A Fund may be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities for which CHSO may establish reserves and escrows. In that regard, distributions may be delayed or withheld until such reserve is no longer needed or the escrow period expires.

***Leverage.*** While investments in leveraged companies offer the opportunity for capital appreciation, such investments also involve a higher degree of risk. The Funds' investments may involve varying degrees of leverage, as a result of which recessions, operating problems, and other general business and economic risks may have a more pronounced effect on the profitability or survival of such companies. Any rise in interest rates may significantly increase portfolio company interest expense, causing losses and/or the inability to service debt levels. If a portfolio company cannot generate adequate cash flow to meet debt obligations, a Fund may suffer a partial or total loss of capital invested in the portfolio company. The Funds may utilize leverage, directly or indirectly, to finance the Funds' investments in a manner they believe is appropriate, including by way of example, by guaranteeing a portfolio company's borrowings throughout the holding period. The use of leverage involves a high degree of financial risk and will increase the exposure of the investments to adverse economic factors such as rising interest rates, downturns in the economy, or deteriorations in the condition of the investments. Although borrowings by the Funds have the potential to enhance overall returns that exceed the Funds' cost of funds, they will further diminish returns (or increase losses of capital) to the extent overall returns are less than the Funds' cost of funds. If a Fund defaults on secured indebtedness, the lender may foreclose and the Fund could lose its entire investment in the security for such loan. In addition, tax-exempt investors should note use of leverage by the Funds may create unrelated business taxable income ("UBTI").

***Bridge Financing.*** Depending on a Fund's governing documents, such Fund may lend to portfolio companies on a short-term, unsecured basis in anticipation of a future issuance of equity or long-term debt. Such bridge loans would typically be convertible into a more permanent, long-term security; however, for reasons not always in such Fund's control, such long-term securities may not issue and such bridge loans may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by such Fund. Depending on a Fund's governing documents, such Fund may also retain or recall for reinvestment the proceeds from a bridge financing, which could require an investor to make capital contributions in excess of its capital commitment to such Fund.

***Potential Liabilities.*** In connection with its investments, a Fund may negotiate the right to appoint one or more of the members of the CHSO investment team as a member of a portfolio company's board of directors. Such membership on the board of directors of a company may result in a Fund

or individual directors being named as defendants in litigation. A Fund may also participate in portfolio company financings at valuations lower than the valuations in preceding rounds of financing. Disputes arising out of such down-round financings may result in a Fund, CHSO, and/or related parties being named as defendants. Typically, portfolio companies will have insurance to protect directors and officers, but this insurance may be inadequate. A Fund may indemnify CHSO and related parties, among others, for liabilities incurred in connection with operations of the Fund, including liabilities arising from such suits. Such indemnification obligations and other liabilities could be substantial.

***Indemnification.*** As set forth in the relevant governing documents, the Funds typically will be required to indemnify CHSO, their respective general partners and their affiliates, and their employees, agents, stockholders, and other third parties for liabilities incurred in connection with the affairs of the Funds. Members of an advisory committee of a Fund will also be entitled to the benefit of certain indemnification and exculpation provisions as set forth in the relevant governing documents. Such liabilities may be material and may have an adverse effect on the returns to the investors. If the assets of a Fund are insufficient to satisfy such obligations, CHSO may recall distributions previously made to the investors.

***Management Team.*** Each portfolio company's day-to-day operations will be the responsibility of its management team. Although CHSO will be responsible for monitoring the performance of each investment and intends to invest in companies operated by strong management teams, there can be no assurance that the existing management team, or any successor, will be able to effectively operate the portfolio company.

***Distributions In-Kind.*** Although under normal circumstances each Fund intends to make distributions in cash, it is possible that under certain circumstances (including the liquidation of a Fund), distributions may be made in-kind. These types of distributions could potentially consist of assets for which there is no readily available public market.

***Valuation.*** CHSO is generally responsible for the valuation of each Fund's assets, in accordance with such Fund's governing documents and valuation policies. There is no actively traded market for most of the securities owned by the Funds. Securities and all other assets for which no market prices are available will be valued at such value as CHSO may determine in accordance with each Fund's governing documents and valuation policies.

***Fund Expenses.*** Expenses to be borne by the Fund (and as a result the investors of the Fund) are described in the Funds' governing documents. The amount of these expenses will be substantial and will reduce the actual returns realized by investors on their investment in the Funds (and may, in certain circumstances, reduce the amount of capital available to be deployed by the Funds in investments). Fund expenses include recurring and regular items, as well as extraordinary expenses for which it may be hard to budget or forecast. As a result, the amount of expenses ultimately called or called at any one time may exceed amounts expected or budgeted by CHSO and/or investors.

***Allocation of Expenses.*** In accordance with the applicable governing documents of a Fund, each Fund bears certain costs and expenses incurred by a general partner and/or their respective affiliates in connection with the operation and activities of such Fund. To the extent CHSO

determines that any such expenses should be shared by one or more Funds, such expense will be allocated among the relevant entities in a manner consistent with CHSO's policies and procedures. From time to time, it is possible that subsequent review of allocations could result in an identification of expenses that should have been allocated in a different manner, in which case a reversal of the original expense allocations, if possible, or such other equitable adjustment believed by CHSO in its discretion to be the most appropriate corrective measure might be undertaken. Likewise, as further detailed in Item 11, a potential co-investor may not be required to pay a pro rata or other percentage of the fees and expenses with respect to proposed investments that are ultimately not made (i.e., broken deal expenses), and a co-investor may not be required to pay a pro rata or other percentage of the fees and expenses associated with such co-investment. As a result, under such circumstances, all such fees and expenses (prior to and at the time of any such investment and on an ongoing basis) will be borne by the Fund.

***Cybersecurity.*** CHSO's and the Funds' service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Funds and their investors, despite the efforts of CHSO and the Funds' service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Funds and their investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of CHSO, the Funds' service providers, counterparties or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of CHSO's systems to disclose sensitive information in order to gain access to CHSO's data or that of the Funds' investors. A successful penetration or circumvention of the security of CHSO's systems could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause CHSO or their service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss. Similar types of operational and technology risks are also present for the companies in which the Funds invest, which could have material adverse consequences for such companies, and may cause the Funds' investments to lose value.

***Business Continuity and Disaster Recovery.*** CHSO's, the Funds' and their portfolio companies' business operations may be vulnerable to disruption in the case of catastrophic events such as fires, natural disaster (e.g., tornadoes, floods, hurricanes and earthquakes), terrorist attacks or other circumstances resulting in property damage, network interruption and/or prolonged power outages. Although CHSO has implemented various measures to manage risks relating to these types of events, there can be no assurances that all contingencies can be planned for. If such business operations are disrupted or suspended for extended periods of time, the Funds may be adversely affected.

***Illiquid and Long-Term Investments.*** Investments in portfolio companies are expected to take several years from the date of initial investment to reach a state of maturity when realization of the investment can be achieved. Transaction structures typically will not provide for liquidity of the Funds' investments prior to that time. In most cases, there will be no public market for the



securities held by the Funds at the time of their acquisition. Each Fund will generally not be able to sell its securities publicly unless the sale is registered under applicable securities laws or unless an exemption from such registration requirements is available. In addition, there can be no assurances that the Funds' investments can be sold on a private basis. Furthermore, in some cases (e.g., depositary institutions), the Funds may be prohibited by contract, legal, or regulatory reasons from selling securities for a period of time or otherwise be restricted from disposing of their investments. The types of investments made by the Funds may require a substantial length of time to realize a return or fully liquidate. The Funds may exit some investments through distributions in kind to the investors, after which the investors will bear the risk of holding the securities and must make their own disposition decisions.

***Inherent Risk in Private Company Investments.*** The types of investments in which the Funds may invest involve a high degree of risk. In general, financial and operating risks confronting portfolio companies can be significant. There can be no assurance that a Fund will be adequately compensated for risks taken. A loss of an investor's entire investment is possible. The timing of profit realization is highly uncertain. Losses are likely to occur early in a Fund's term, while successes often require a long maturation.

Early-stage and development-stage companies often experience unexpected problems in the areas of product development, manufacturing, marketing, financing and general management, which, in some cases, cannot be adequately solved. In addition, such companies may require substantial amounts of financing which may not be available through institutional private placements or the public markets. In addition, the markets that such companies target are highly competitive, and, in many cases, the competition consists of larger companies with access to greater resources. The number of companies that survive and prosper can be small.

Investments in more mature companies also present substantial risks. Such companies typically have obtained capital in the form of debt and/or equity to expand rapidly, reorganize operations, acquire other businesses, or develop new products and markets. These initiatives involve a significant amount of change in a company and may give rise to significant problems in sales, manufacturing, and general management of these activities.

In addition, the Funds may invest in portfolio companies that are treated as partnerships for U.S. federal income tax purposes. In connection with such investments, it is expected that a potentially significant portion of the income of the Funds will be UBTI to U.S. tax-exempt investors subject to tax on UBTI as well as income that is, or is treated as, effectively connected with a U.S. trade or business. Each prospective investor should consult its own tax, accounting, legal and other advisors in determining the possible tax, exchange control or other consequences to such investor under the laws of the jurisdictions of which it is a citizen, resident or domiciliary, in which it conducts business or in which it otherwise may be subject to tax, of an investment in a Fund.

***General Risks of Investments in Healthcare and Wellness Companies.*** While investments in healthcare and wellness companies offer the opportunity for significant gains, such investments also involve a high degree of business and financial risk and can result in substantial losses. Healthcare and wellness companies may face intense competition, including competition from companies with greater financial resources, more extensive research and development, sales and marketing, customer services, and support and other capabilities, and a larger number of qualified

managerial and technical personnel. Companies in the healthcare industry in which a Fund may invest could deteriorate as a result of, among other factors, an adverse development in their business, a change in the competitive environment, or an economic downturn.

***Healthcare Research and Innovation.*** The healthcare industry spends heavily on research and development. Research findings (e.g., regarding side effects or comparative benefits of one or more particular treatments, services or products) and technological innovation (together with patent expirations) may make any particular treatment, service, or product less attractive if previously unknown or underappreciated risks are revealed, or if a more effective, less costly, or less risky solution is or becomes available. Any such development could have a material adverse effect on healthcare companies in which a Fund may be invested or in which it may invest in the future.

***Healthcare Regulation and Reimbursement.*** Various segments of the healthcare industry in which a Fund may invest are (or may become) (i) highly regulated at both the federal and state levels in the United States and internationally, (ii) subject to frequent regulatory change and (iii) dependent upon various government or private insurance reimbursement programs. While the Funds intend to make investments in companies that comply with relevant laws and regulations, certain aspects of their operations may not have been subject to judicial or regulatory interpretation. An adverse review or determination by any one of such authorities, or an adverse change in the regulatory requirements or reimbursement programs, could have a material adverse effect on the operations of companies in which a particular Fund invests. Legislative reforms, including the U.S. Patient Protection and Affordable Care Act (the “Affordable Care Act”), have had, and will likely continue to have, a significant impact on the healthcare industry. The efforts to reform the healthcare delivery system in the United States have resulted in increased pressure on healthcare providers and other participants in the healthcare industry to reduce costs. These competitive forces place constraints on the levels of overall pricing, and thus could have a material adverse effect on profit margins for healthcare companies in which Funds have invested or may invest. Various legislative proposals related to the healthcare industry are introduced from time to time at the U.S. federal and state level, and any such proposals, if adopted, could have a significant impact on the healthcare industry. The scope of any such proposals, including the potential for modification or repeal of the Affordable Care Act, could be profound, and the regulatory environment for healthcare companies in which the Funds have invested or may invest could be highly volatile.

***Investment in Companies Dependent Upon New Scientific Developments and Technologies.*** Each Fund plans to focus its investing on healthcare and wellness companies. The value of a Fund’s interests may be susceptible to greater risk than participation in an investment program that invests in a broader range of securities. The specific risks faced by such companies include, among other risks:

- Rapidly changing science and technologies;
- New competing products and improvements in existing products which may quickly render existing products or technologies obsolete;

- Exposure, in certain circumstances, to a high degree of government regulation (including reimbursement rate risk), making these companies susceptible to changes in government policy as well as failures to secure, or unanticipated delays in securing, regulatory approvals;
- Scarcity of management, technical, scientific, research and marketing personnel with appropriate training;
- The possibility of lawsuits related to patents and intellectual property; and
- Rapidly changing investor sentiments and preferences with regard to healthcare sector investments (which are generally perceived as risky).

Legal and regulatory changes could occur during the term of a Fund that may adversely affect such Fund. The products of portfolio companies and some assets may be subject to extensive and rigorous regulation by United States local, state and federal regulatory authorities and by foreign regulatory bodies. There can be no assurance that products developed by portfolio companies will ever be approved by such governmental authorities. Prior to the grant of marketing approvals by the U.S. Food and Drug Administration and corresponding regulatory authorities outside of the U.S., many of the products of portfolio companies may have to undergo extensive investigation and clinical trials to meet stringent safety and efficacy requirements. There have been instances when the discovery of previously unknown problems with a product, manufacturer, or facility have resulted in restrictions on the use or the manufacture of such product, including costly recalls or even withdrawal of the product from the market. Such events, whether voluntarily or mandated by a regulatory authority, typically result in an immediate reduction or discontinuation of revenues from the product worldwide. If such an event were to occur, it would likely have a significant and adverse effect on the performance of a particular product or associated royalty interest and could have a material adverse effect on the aggregate performance of the Funds.

The healthcare and wellness industry is dominated by large multi-national corporations with substantially greater financing and technical resources than generally will be available to the Funds' portfolio companies. Such large corporations may be better able to adapt to the challenges presented by continuing rapid and major scientific, regulatory, and technological changes, as well as related changes in governmental and third party reimbursement policies. The success of many of the Funds' portfolio companies will potentially be dependent upon governmental and third party reimbursement policies that are under constant review and are subject to change at any time. Any such change could adversely affect the viability of one or more portfolio companies. In addition, within the healthcare and wellness industry, the development of products generally is a costly and time consuming process. Many highly promising products ultimately fail to prove safe and effective. Products under development and pre-clinical testing generally will require extensive clinical testing prior to application for commercial use. There can be no assurance that the research or product development efforts of the Funds' portfolio companies or those of their collaborative partners will be successfully completed, that specific products can be manufactured in adequate quantities at an acceptable cost and with appropriate quality, or that such products can be successfully marketed or achieve customer acceptance. Many of the Funds' portfolio companies may depend heavily upon intellectual property for their competitive position. There can be no assurance that the Funds' portfolio companies will be able to obtain patents for key inventions.

Moreover, within the life sciences/health care industry, patent challenges are frequent, and even if patents held by the Funds' portfolio companies are upheld, any challenges thereto may be costly and time consuming.

***Dependence on Intellectual Property.*** Certain of the Funds' investments will depend heavily on intellectual property rights, including patents, trademarks and servicemarks. The ability to effectively enforce patent, trademark and other intellectual property laws will affect the value of many of these companies. Patent disputes are frequent and can preclude commercialization of products, and patent litigation is costly and could subject a portfolio company to significant liabilities to third parties. The presence of patents or other proprietary rights belonging to other parties may lead to the termination of the research and development of a portfolio company's particular product.

***Equity Securities.*** The Funds expect to invest in equity securities. Such investments will be subordinate to the claims of an issuer's creditors and, to the extent such securities are common securities, to preferred stockholders. As with other investments that the Funds may make, the value of equity securities held by the Funds may be adversely affected by actual or perceived negative events relating to the issuer of such securities, the industry or geographic areas in which such issuer operates or the financial markets generally. However, equity securities may be even more susceptible to such events given their subordinate position in the issuer's capital structure. As such, equity securities generally have greater price volatility than fixed income securities, and the market price of equity securities owned by the Funds is more susceptible to moving up or down in a rapid or unpredictable manner. Dividends customarily paid to equity holders can be suspended or cancelled at any time. For the foregoing reasons, investments in equity securities can be highly speculative and carry a substantial risk of loss of principal.

***Debt Securities.*** The Funds may make investments in debt instruments or convertible debt securities, including in connection with investments in equity or equity-related securities. Such debt may be unsecured or structurally or contractually subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured. Moreover, such debt investments may not be protected by financial covenants or limitations upon additional indebtedness and there is no minimum credit rating for such debt investments. Other factors may materially and adversely affect the market price and yield of such debt investments, including investor demand, changes in the financial condition of the applicable issuer, government fiscal policy and domestic or worldwide economic conditions.

***Minority Investments.*** A significant portion of the Funds' investments may represent minority stakes in privately held companies. In addition, during the process of exiting investments, the Funds are likely to hold minority equity stakes if portfolio holdings are taken public. As is the case with minority holdings in general, such minority stakes that the Funds may hold will have neither the control characteristics of majority stakes, nor the valuation premiums accorded majority or controlling stakes. The Funds may also invest in companies for which the Funds have no right to appoint a director or otherwise exert significant influence. In such cases, the Funds will be reliant on the existing management and board of directors of such companies, which may include representatives of other financial investors with whom the Funds are not affiliated and whose interests may conflict with the interests of the Funds.

***Foreign Investments.*** As permitted under the Funds' governing documents, the Funds may invest in companies that are based outside of the United States or the operations of which are primarily outside of the United States. Any investment in a foreign country involves risks not found in the domestic securities market, including the following: the risk of economic and financial instability in the foreign country, which in some cases may include a collapse in credit markets, stock prices, currencies, and/or consumer spending; the risk of adverse social and political developments, including nationalization, confiscation without fair compensation, political and social instability, and war; the risk that the foreign country may impose restrictions on the repatriation of investment income or capital, or on the ability of foreign persons to invest in certain types of companies, assets, or securities; risks related to the possible lack of availability of sufficient financial information as a result of accounting, auditing, and financial disclosure standards that differ, in some cases significantly, from those in the United States; risks related to foreign laws and legal systems, which are likely to differ from those of the United States, including in particular the laws with respect to the rights of investors which may not be as comprehensive or well developed as those in the United States and the procedures for the judicial or other enforcement of such rights which may not be as effective as in the United States; risks related to the fact that some investments may be denominated in foreign currencies and, therefore, will be subject to fluctuations in exchange rates; and risks related to applicable tax laws and regulations and tax treaties, which are likely to vary from country to country and may be less well developed than those in the United States, possibly resulting in retroactive taxation so that the Funds could become subject to an unanticipated local tax liability. The profits or losses of the Funds' on any investment, as measured in U.S. dollars, will be affected by fluctuations in currency exchange rates and exchange control regulations as well as by the success of the investment itself. In addition, the Funds may incur costs in connection with conversions between various currencies. The Funds may or may not seek to reduce currency risks through "hedging" or other methods.

***Expedited Transactions.*** Investment analyses and decisions by CHSO may be undertaken on an expedited basis in order for a Fund to take advantage of available investment opportunities. In such cases, the information available to the CHSO at the time of the investment decision may be limited, and CHSO may not have access to the detailed information necessary for a thorough evaluation of the investment opportunity. Further, CHSO may conduct their due diligence activities over a very brief period. Therefore, no assurance can be given that CHSO will have knowledge of all circumstances that may adversely affect an investment. In addition, CHSO expects to rely upon independent consultants and other sources in connection with its evaluation of proposed investments, and no assurance can be given as to the accuracy or completeness of the information provided by such independent consultants or other sources, or as to a Fund's right of recourse against them in the event errors or omissions do occur.

***Material, Non-Public Information.*** From time to time, CHSO or its affiliates may come into possession of material, non-public information concerning an entity in which a Fund has invested or proposes to invest, and the possession of such information may limit the ability of the Funds to buy, sell, or otherwise transact in securities of such entity.

***Projections.*** The Funds may rely upon projections developed by CHSO or a portfolio company concerning a portfolio company's future performance, outcome and cash flow. Projections are inherently subject to uncertainty and factors beyond the control of CHSO and the portfolio company. The inaccuracy of certain assumptions, the failure to satisfy certain financial

requirements and the occurrence of other unforeseen events could impair the ability of a portfolio company to realize projected values, outcomes and cash-flow.

***Legal and Regulatory Risks.*** Legal and regulatory changes could occur during the term of a Fund that may adversely affect such Fund, its portfolio companies or its investors. New and existing regulations, changing regulatory schemes and the burdens of regulatory compliance all may have a material negative impact on the performance of portfolio companies that operate in these industries. CHSO cannot predict whether new legislation or regulation governing those industries will be enacted by legislative bodies or governmental agencies, nor can either of them predict what effect such legislation or regulation might have. There can be no assurance that new legislation or regulation, including changes to existing laws and regulations, will not have a material negative impact on a Fund's investment performance. Moreover, increased scrutiny and newly proposed legislation applicable to private investment funds and their sponsors may also impose significant administrative burdens on CHSO and may divert time and attention from portfolio management activities. The effect of any future regulatory change on a Fund could be substantial and adverse. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies.

***Tax Risks.*** Certain tax risks relating to an investment in the Funds are discussed in the governing documents of the Funds. No assurances can be given that current tax laws, rulings, and regulations will not change during the term of a Fund. Prospective investors should consult their tax advisors for further information about the tax consequences of investing in a Fund.

***Laws of Other Jurisdictions Where the Funds May be Marketed.*** Interests in the Funds may be marketed in various jurisdictions. In order to market interests in certain jurisdictions (or to investors who are citizens of or resident in such jurisdictions), a Fund, its general partner, CHSO and/or their respective affiliates will be required to comply with applicable laws and regulations relating to such activities. Compliance may involve, among other things, making notifications to or filings with local regulatory authorities, registering with local regulatory authorities or complying with operating or investment restrictions and requirements, including with respect to prudential regulation. Compliance with such laws and regulations may limit the ability of a Fund to participate in investment opportunities and may impose onerous or conflicting operating requirements on a Fund, its general partner, CHSO and/or their respective affiliates. The costs, fees and expenses incurred in order to comply with such laws and regulations, including, without limitation, related legal fees and filing or registration fees and expenses, will be borne by a Fund and may be substantial. In addition, if a Fund, its general partner, CHSO and/or their respective affiliates were to fail to comply with such laws and regulations, any or all of them could be subject to fines or other penalties, the cost of which typically would be borne by such Fund.

## **ITEM 9 – DISCIPLINARY INFORMATION**

CHSO has not experienced any legal or disciplinary events that are material to a client or prospective client's evaluation of CHSO or its management practices.

## ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### A. **Broker-Dealer Registration.**

Neither CHSO nor any of its management persons is registered as a broker-dealer or as a registered representative of a broker-dealer, and neither CHSO nor any of its management persons has an application pending to register as a broker-dealer or as a registered representative of a broker-dealer.

### B. **Futures Commission Merchant, CPO or CTA Registration.**

Neither CHSO nor any of its management persons is registered as a futures commission merchant, commodity pool operator, commodity trading advisor, or as an associated person of a futures commission merchant, commodity pool operator or commodity trading advisor.

### C. **Material Relationships.**

#### Related General Partners.

Certain entities controlled by or under common control with CHSO serve as general partners (or similar managing bodies) of the Funds.

#### Related Advisers.

CHSO Partners II and CHSO II SFP-TSF are relying advisers and provide investment advisory services to certain of the Funds.

#### Other Investment Advisers.

CHSO Management and CHSO Partners II previously were relying advisers of Capricorn. While Capricorn no longer controls CHSO Management or CHSO Partners II, it continues to own an interest in CHSO Partners II and provide administrative services to CHSO. In addition, Capricorn is entitled to receive a portion of the management fees paid by certain of the Funds to CHSO.

Barry Uphoff, principal of CHSO, has a financial interest in, and provides certain services for, Capricorn and its direct and indirect owners and affiliates, including, as applicable, fund manager input, general advice relating to the disposition of certain assets, general organizational advice, and advice relating to other special projects. Mr. Uphoff is also an advisor to each of Panorama Point Partners, LLC and Lorient Capital Management, LLC. CHSO does not expect that such activities will represent a substantial amount of Mr. Uphoff's business time. Mr. Uphoff is compensated for such activities.

CHSO does not recommend investments to Capricorn or its affiliates. However, certain of the Funds may invest directly or indirectly in entities sponsored or managed by Capricorn ("Capricorn Funds"). A potential conflict of interest could arise in that Mr. Uphoff could benefit from any of the Funds' actual or potential investments in the Capricorn Funds. Alternatively, Mr. Uphoff could



benefit from an investment or divestiture opportunity for the Capricorn Funds that would otherwise have been available to the Funds.

In addition, a Fund may invest in a portfolio company in which a Capricorn Fund has or is concurrently making an investment. In such situations, such Fund and such Capricorn Fund may have conflicting interests (e.g., over the terms of, or actions taken with respect to, their investments in the portfolio company). In such events, Mr. Uphoff could have conflicting loyalties between his interests in such Fund versus such Capricorn Fund. Further, Mr. Uphoff may from time to time come into possession of material, non-public information concerning an issuer in respect of his services provided to Capricorn or its affiliates. In these circumstances, the Funds generally will not receive the benefit of any such information, and the possession of such information may limit the ability of the Funds to buy, sell, or otherwise transact in the securities of such issuer.

The financial interests held by Capricorn and Barry Uphoff, and the potential investment by certain of the Funds in Capricorn Funds or vice versa, may create conflicts of interest and potential conflicts of interest. CHSO seeks to mitigate such conflicts of interest through the implementation of certain applicable policies and procedures.

In addition, Capricorn provides certain fund administration functions for the Funds.

**D. Selection of Third-Party Managers and Other Compensation.**

CHSO does not recommend third-party managers to its investment advisory clients.

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

### A. Code of Ethics.

CHSO has adopted a Code of Ethics (“Code of Ethics”) that establishes the ethical standards maintained by CHSO and by which its employees, officers and directors are bound.

The Code of Ethics contains policies addressing personal securities trading and personal investment transactions, conflicts of interest, giving and accepting gifts and entertainment, record keeping, engaging in certain political activities, and the protection of personal information, among other items. The Code of Ethics emphasizes CHSO’s philosophy of honesty, integrity and professionalism, setting forth standards of conduct expected of its personnel, promoting honest and ethical conduct, including the ethical handling of actual or potential conflicts of interest between personal and professional relationships, and promoting compliance with applicable laws, rules and regulations.

A copy of the Code of Ethics is available to any client or prospective client upon written request to CHSO’s Chief Compliance Officer.

### B. Conflicts of Interest Related to Client Recommendations.

The general partner of each Fund typically has a material investment in its related Fund.

CHSO engages in a broad range of activities. Investors should be aware that in the ordinary course of conducting its activities, there will be occasions when the interests of a Fund will conflict with those of CHSO, other Funds and/or their respective affiliates. Certain potential conflicts of interest are summarized below or described elsewhere herein. **However, prospective investors should carefully consider all of the potential conflicts of interest and other risks related to investing in a Fund that are set forth in the offering memorandum and/or other governing documents of the applicable Fund.**

***Other Relationships.*** As previously noted in Item 10, Mr. Uphoff has a financial interest in, and provides certain services for, Capricorn and its direct and indirect owners and affiliates as well as is an advisor to each of Panorama Point Partners, LLC and Lorient Capital Management, LLC. Therefore, not all of Mr. Uphoff’s business time will be dedicated to CHSO and the Funds. In addition, certain of the Funds may invest directly or indirectly in certain Capricorn Funds or in portfolio companies in which a Capricorn Fund has or is concurrently making an investment. In such circumstances, actual or potential conflicts of interest could arise due to the fact that Mr. Uphoff has financial interests in, and is providing services to, both Capricorn and CHSO.

***Allocation of Personnel.*** CHSO will devote such time as necessary (and as required under each Fund’s governing documents) to conduct the business affairs of the Funds in an appropriate manner. However, Mr. Uphoff has, and certain other CHSO personnel from time to time may have, obligations to other parties and activities unrelated to CHSO and the Funds. Conflicts may

arise as a result of such other activities, and the possibility exists that such activities could be competitive with the Funds.

***Carried Interest.*** As described in Item 6, carried interest may create an incentive for CHSO to make riskier or more speculative investments on behalf of a Fund than would be the case in the absence of this arrangement.

***Employee Funds.*** CHSO employees, advisors, and other designated persons may be permitted to invest in certain Funds that are organized as employee co-investment vehicles (the “Employee Funds”). Each Employee Fund typically invests in or alongside its related Fund. The Employee Funds do not pay management fees or carried interest to CHSO or its affiliates.

***Other Fees.*** As described in Item 5, CHSO and certain of its affiliates and employees will receive, from actual or prospective portfolio companies, certain fees (e.g., break-up and topping fees, commitment fees, transaction fees, monitoring and advisory fees (including on an accelerated basis), directors’ fees, financing fees, divestment fees, or other fees). Such fees will be in addition to any management fees or carried interest paid by the Funds to CHSO and its affiliates. Receipt of such fees will, in some circumstances as set forth each Fund’s governing documents, reduce the amount of management fees paid to CHSO and/or its affiliates by the applicable Fund. The amount and nature of this reduction varies from Fund to Fund and is set forth in each Fund’s governing documents. As a general matter, any offset will be allocated among the Funds based on their relative amounts invested in (or proposed to be invested in) the applicable portfolio company, subject to applicable legal, tax or regulatory considerations.

Further, CHSO and its employees can be expected to receive certain intangible and/or other benefits and/or perquisites arising or resulting from their activities on behalf of a Fund that will not be subject to any management fee offset or otherwise shared with the Fund, their investors and/or portfolio companies. For example, airline travel or hotel stays incurred as Fund expenses typically result in “miles” or “points” or credit in loyalty/status programs, and such benefits or amounts will whether or not be de minimis or difficult to value, inure exclusively to CHSO and/or such personnel (and not the Funds, their investors and/or portfolio companies) even though the cost of the underlying service is borne by the Funds, their investors and/or portfolio companies.

***Portfolio Company Reimbursements.*** A portfolio company typically will reimburse CHSO or service providers retained at CHSO’s discretion for expenses (including, without limitation, travel and travel-related expenses) incurred by CHSO or such service providers in connection with the performance of services for such portfolio company. This practice subjects CHSO to conflicts of interest because the Funds generally will not have an interest or share in these reimbursements, and the amount of such reimbursements over time is expected to be substantial. Subject to its internal reimbursement policies and practices, CHSO determines the amount of these reimbursements for such services in its discretion.

***Allocation of Investment Opportunities.*** CHSO may conduct the investment programs of certain Funds in a manner that is similar to the investment program of one or more other Funds. There may be investment opportunities that are suitable to one or more Funds. CHSO will make allocation decisions between or among the Funds in accordance with its policies and procedures,

consistent with the relevant governing documents, and taking into account a variety of factors it may deem relevant (all in its sole discretion).

***Co-Investments.*** The general partner of a Fund in its sole discretion may offer co-investment opportunities to one or more (but not necessarily all) investors and their affiliates, CHSO and its employees, third parties (including strategic investors and other funds, private investors, groups and individuals) and/or other Funds. The terms of any such investment, including the fees, expenses, and carried interest applicable to such co-investment (prior to and at the time of such investment and on an ongoing basis), if any, will be negotiated by the general partner and the potential co-investor on a case-by-case basis in their respective sole and absolute discretion. A potential co-investor may not be required to pay a pro rata or other percentage of the fees and expenses with respect to proposed investments that are ultimately not made (i.e., broken deal expenses), and a co-investor may not be required to pay a pro rata or other percentage of the fees and expenses associated with such co-investment. As a result, under such circumstances, all such fees and expenses (prior to and at the time of any such investment and on an ongoing basis) will be borne by a Fund. In exercising its sole and absolute discretion in giving potential co-investors an opportunity to co-invest in particular investments, the general partner may consider a wide range of factors pursuant to its internal policies and procedures and the relevant governing documents. With respect to proposed investments that are ultimately not made by a Fund in which a co-investor would have participated, expenses that would have been borne by the co-investor had such investments been consummated generally will instead be borne solely by the Fund.

***Diverse Investor Group.*** Investors may have conflicting investment, tax and other interests with respect to their investments in a particular Fund. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of investments made by a Fund, the structuring or the acquisition of investments and the timing of disposition of investments. As a consequence, conflicts of interest may arise in connection with the decisions made by a general partner, including with respect to the nature or structuring of investments that may be more beneficial for one investor than for another investor, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for a Fund, the applicable general partner will consider the investment and tax objectives of the Fund and its investors as a whole, not the investment, tax or other objectives of any investor individually.

***Side Letters.*** A Fund and its affiliates may enter into side letters or other similar agreements with certain investors in a Fund that have the effect of establishing rights under, altering or supplementing the terms of, the Fund's governing documents, including, without limitation, providing different or preferential rights or terms, such as different fee structures or reduced fees, information rights, co-investment rights and liquidity or transfer rights.

***Transactions with Investors.*** CHSO and its affiliates from time to time may engage in transactions with prospective and actual investors that entail business benefits to such investors. Such transactions may be entered into prior to or coincident with an investor's admission to a Fund or during the term of its investment. The nature of such transactions can be diverse and may include benefits relating to one or more Funds and their respective portfolio companies, as well as benefits to the applicable investors.

***Service Providers.*** Certain advisors and other service providers, or their affiliates (including accountants, administrators, lenders, bankers, brokers, attorneys, consultants, investment or commercial banking firms and certain other advisors and agents) to CHSO, the Funds, or their portfolio companies may also provide goods or services to or have business, personal, financial or other relationships with CHSO. Such advisors and service providers may be investors in a Fund, affiliates of CHSO, affiliates of CHSO employees or employees' family members, sources of investment opportunities or co-investors or counterparties therewith. These relationships may influence CHSO in deciding whether to select or recommend such a service provider to perform services for a Fund or a portfolio company (the cost of which will generally be borne directly or indirectly by the applicable Fund or portfolio company, as applicable). In certain circumstances, advisors and service providers, or their affiliates, may charge different rates or have different arrangements for services provided to CHSO or its affiliates as compared to services provided to the Funds and their portfolio companies, which may result in more favorable rates or arrangements than those payable by the Funds or such portfolio companies.

***Future Possible Activities.*** CHSO and its affiliates anticipate that they will engage in other investment, business or advisory activities in the future that could present potential conflicts of interest with the Funds, their investments and their investment strategy. CHSO may expand the range of services that it provides over time. Except as provided in the Funds' governing documents, CHSO will not be restricted in the scope of its business or in the performance of any such services (whether now offered or undertaken in the future) even if such activities could give rise to conflicts of interest, and whether or not such conflicts are described herein. CHSO has, and will continue to develop, relationships with a significant number of companies, financial sponsors and their senior managers, including relationships with persons who may hold or may have held investments similar to those intended to be made by the Funds.

## ITEM 12 – BROKERAGE PRACTICES

### A. Brokerage Practices.

The Funds primarily invest in securities acquired in private placement transactions. These transactions do not typically require the assistance of a broker-dealer. However, on certain occasions, a broker-dealer will be engaged to purchase, sell or distribute publicly traded securities on behalf of the Funds. On such occasions, CHSO will seek to obtain best execution and will consider, among other considerations, the price and size of the transaction, the trading characteristics of the securities involved, the broker-dealer's execution abilities and experience in private equity transactions, the broker-dealer's network of contacts and relationships, commission rates and other fees and financial responsibility and responsiveness.

#### 1. Research and Other Soft Dollar Benefits.

CHSO does not expect to have any soft dollar arrangements with any brokers whereby CHSO would direct a broker to pay for external research from a soft dollar account. The prior consent of the Chief Compliance Officer (in consultation with the CHSO principals) is typically required for any soft dollar arrangements.

#### 2. Brokerage for Client Referrals.

Generally, CHSO prohibits selection of service providers, including broker-dealers, based on business benefits to CHSO or the Funds other than the Fund for which the service is being provided.

#### 3. Directed Brokerage.

CHSO does not participate in directed brokerage arrangements.

### B. Aggregated Purchases or Sales of Securities.

The Funds may invest in the same portfolio companies from time to time. CHSO will aggregate the purchase and sale of securities for multiple Funds as it deems appropriate and in accordance with each Fund's governing documents.

## ITEM 13 – REVIEW OF ACCOUNTS

### A. **Review of Client Accounts.**

The investment portfolios of the Funds are generally private, illiquid and long-term in nature, and accordingly CHSO's review of such portfolios is not directed toward a short-term decision to dispose of securities. CHSO's investment professionals monitor and review the Funds' portfolio companies on an ongoing basis consistent with CHSO's policies and the Funds' governing fund documents, including, for example, by participating in board meetings and management calls, reviewing annual and interim financial statements, and making ad hoc on-site visits.

CHSO's Investment Committee is composed of certain CHSO professionals and has authority over all material decisions related the Funds' investments.

### B. **Frequency and Content of Client Reports.**

Subject to the governing documents, investors generally are provided with regular reports, including quarterly unaudited financial statements, annual audited financial statements and quarterly investment update letters (although investors in certain Funds only receive quarterly capital account statements and no other reporting). Further information on the reports provided by a Fund is contained in its governing documents.

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

CHSO, upon raising a new private fund, may engage a third party placement agent to introduce prospective investors to the private fund. To the extent such private fund incurs placement fees for the use of a third party placement agent with respect to a certain investor, such investor's share of the management fee will be reduced on a dollar-for-dollar basis.



## **ITEM 15 – CUSTODY**

Where CHSO is deemed to have custody over client assets of a Fund that is a separately managed account, CHSO maintains assets and securities of such Fund with qualified custodians, as defined in Rule 206(4)-2 of the Investment Advisers Act of 1940, in a separate account for such Fund under such Fund's name, or in accounts that contain only funds and securities owned by the Fund under CHSO's name, as agent or trustee for such Fund. Custodians will generally be banks, trust companies or broker-dealers unaffiliated with CHSO.

Where CHSO is deemed to have custody over client assets of a Fund that is a pooled investment vehicle, CHSO causes such Fund to provide audited financial statements to its investors within 120 days of the end of such Fund's fiscal year. Investors in the Funds should carefully review the audited financial statements of the Funds.

## **ITEM 16 – INVESTMENT DISCRETION**

CHSO performs the day-to-day investment operations of the Funds and has discretionary authority to determine the investments for the Funds. Generally, this discretionary authority has no limitations but is subject to the investment guidelines and other terms and conditions contained in the governing documents of the Funds.

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

To the extent CHSO has proxy voting authority on behalf of the Funds, CHSO has adopted proxy voting policies and procedures governing the voting of the Funds' securities. Prior to exercising proxy voting authority, the investment team will consult with the Chief Compliance Officer, as well as, on a case-by-case basis as appropriate, outside counsel and executive management, to evaluate whether a conflict of interest exists. If it is determined that there is no conflict of interest, the investment team, in consultation with the Chief Compliance Officer, will vote such proxy in the best interest of the applicable Fund (or make a determination that it is not in the best interests of such Fund to vote). If a material conflict of interest exists, CHSO will take steps to ensure that its voting decision is based on the best interests of the Fund, in accordance with the Fund's governing documents and CHSO's proxy voting policies and procedures.

A copy of CHSO's proxy voting policies and procedures is available to the Funds upon written request to CHSO's Chief Compliance Officer

## **ITEM 18 – FINANCIAL INFORMATION**

CHSO has never been the subject of a bankruptcy petition and does not believe that there are any conditions that are reasonably likely to impair CHSO's ability to meet contractual commitments to clients.

CHSO does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

## **ITEM 19 – REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

This item is not applicable to CHSO.