

**Item 1 – Cover Page**

**Part 2A of Form ADV  
Brochure for:**

**Altos Ventures Management, Inc.**

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**March 30, 2020**

**This Brochure provides information about the qualifications and business practices of Altos Ventures Management, Inc. (“Altos Ventures”) If you have any questions about the contents of this Brochure, please contact the Firm at the address listed above. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Altos Ventures is a registered investment adviser with the SEC. Registration of an investment adviser does not imply any certain level of skill or training.**

**Additional information about Altos Ventures is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2 – Material Changes**

Item 2 discusses only material changes to the Brochure since the last annual updating amendment.

Since the last Brochure filing, there have been no material changes to the information provided in this Brochure.

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## Item 4 – Advisory Business

### A. Description of the Advisory Firm

Altos Ventures Management, Inc. (“Altos Ventures” or the “Firm”) is a California corporation formed in February 1996. Altos Ventures currently has sixteen (16) employees based in Menlo Park, California; Seoul, Korea; or elsewhere. Its principal owners are Han J. Kim, Hodong Nam and Anthony Lee.

### B. Types of Advisory Services

Altos Ventures serves as an investment adviser to certain private investment funds, which are organized as Delaware limited partnerships or limited liability companies (each a “Fund” and collectively the “Funds”). Affiliates of Altos Ventures serve as the General Partner or Manager, as applicable, of the Funds. Altos Ventures may also decide in the future to sponsor or manage additional private investment funds or other clients.

The Funds offer limited partnership or membership interests, as applicable (“Interests”) to certain qualified investors as described in response to Item 7, below (such investors are referred to herein as “Investors”).

From time to time Altos Ventures forms and manages, on a transaction-by-transaction basis, special purpose vehicles (SPVs) to participate in investment opportunities, often alongside the Funds. Unlike the Funds, which do not limit investment discretion, Altos Ventures is often limited to investing only in the securities relating to the particular transaction for which the SPV was created. Collectively, the SPVs and the Funds, will be known as the “Clients”.

Altos Ventures is a venture capital firm. Clients invest in software, mobile, and internet companies (see Item 8B below) primarily in the United States and South Korea. The Fund’s strategy is described in its marketing materials, limited partnership or limited liability company operating agreement, and subscription documents (collectively, the “Governing Documents”).

### C. Client Tailored Services and Client Imposed Restrictions

Advisory services are tailored to achieve each Client’s investment objectives. Altos Ventures has the authority to select which and how many portfolio companies to invest in and determine exit strategies without consultation with its Investors.

### D. Wrap Fee Programs

Altos Ventures does not participate in wrap fee programs.

### E. Amounts Under Management

As of December 31, 2019, Altos Ventures has approximately \$3.2 billion of regulatory assets under management on a discretionary basis. It does not manage assets on a non-discretionary basis.

## Item 5 – Fees and Compensation

### A. Fee Schedule

The fees and compensation payable to Altos Ventures are negotiable and vary among its Clients. However, the range of compensation is generally as follows:

#### 1. Management Fee

With respect to its Clients, Altos Ventures typically receives a quarterly asset-based management fee calculated as a percentage of the aggregate capital commitments from all Investors, payable quarterly in advance. The management fee is generally between 0% and 2.25% annually.

#### 2. Performance-based Fees

Each Fund's General Partner or Manager, as applicable, generally receives carried interest equal to a percentage of all realized net profits, as described more fully in each Fund's Governing Documents. The carried interest is generally subject to a clawback at the end of life of a Fund if the General Partner or Manager, as applicable, has received excess cumulative distributions.

The carried interest will only be charged to either accounts of Investors who are "qualified clients" as defined in Rule 205-3 of the Investment Advisers Act of 1940, as amended ("Advisers Act") or accounts of Investors who invested in the applicable Client prior to the registration of the Firm as an investment adviser.

#### 3. Fee Comparison

Client expenses, including management and any performance-based fees, may constitute a higher percentage of average net assets than could be found in other investment programs.

### B. Payment of Fees

Management fees, performance-based fees (carried interest), and third-party fees (discussed below) are deducted from Client assets. Management fees, which are paid in advance, are withdrawn at the beginning of the quarter. A Fund may pay carried interest in accordance with the terms of its Governing Documents.

### C. Third-Party Fees and other Client Expenses

Expenses borne by each Client are described in detail in the applicable limited partnership agreement or operating agreement, as applicable. The Clients generally pay all out-of-pocket organizational and syndication costs, fees, and expenses incurred by or on behalf of the General Partner or the Firm in connection with the formation and organization of a Client. In addition, each Client typically will pay (or reimburse the applicable General Partner or the Firm) charges for services by third parties and other expenses, including (but not limited to) expenses related to: (i) the making, holding, purchase, sale or exchange of securities (whether or not ultimately consummated), including, but not by way of limitation, private placement fees, finder's fees, interest on and fees and expenses arising out of borrowed money, real property or personal property taxes on investments, including documentary, recording,

stamp and transfer taxes, brokerage fees or commissions, or other similar charges (including any merger fees payable to third parties); (ii) travel expenses, legal fees and expenses, expenses incurred in connection with the investigation, prosecution or defense of any claims by or against the fund(s), including claims by or against a governmental authority; (iii) audit and accounting fees, fees for outside appraisers and independent securities valuations services, costs and expenses incurred for research services and publications, including legal fees for investment related research, consulting fees relating to investments or proposed investments, taxes applicable to a Client on account of their operations; (iv) fees incurred in connection with the maintenance of bank or custodian accounts; (v) all expenses incurred in connection with the registration of the securities held by the funds under applicable securities laws or regulation; (vi) expenses incurred by the General Partner or the Firm in serving as the tax matters partner; (vii) any sales or other taxes or government charges which may be assessed against the fund; (viii) the cost of liability and other premiums for insurance protecting a Fund, the General Partner, the Management Company, and a Fund's Advisory Committee, and their respective partners, members, stockholders, managers, managing directors, officers, directors, trustees, employees, agents or affiliates in connection with the activities of a Client; (ix) all out-of-pocket expenses of preparing and distributing reports to Investors, out-of-pocket expenses associated with Investor communications with the Investors, including preparation and distribution of annual, quarterly or other reports to the Investors, costs associated with Investor meetings or Advisory Committee matters, expenses of the members of the Advisory Committee (including travel-related costs and expenses), all legal, accounting, tax, consulting and professional services fees and expenses (including tax preparation and public relations) relating to a Client and its activities; (x) fees and expenses related to attending industry conferences; (xi) bookkeeping services fees and expenses relating to outsourced finance, reporting, administration, accounting, and back-office services, out-of-pocket fees and expenses related to regulatory compliance of the funds all fees; (xii) costs and expenses relating to litigation and threatened litigation involving a Fund, including a Client's indemnification obligation pursuant to this limited partnership agreement, and all expenses that are not normal operating expenses and all other expenses properly chargeable to the activities of a Funds.

D. Prepayment of Fees

The Clients invest in the securities of private companies on a long-term basis. Accordingly, all fees are paid during the term of the investing period of the Fund or SPV and Investors are generally not permitted to withdraw or redeem Interests. Fees paid at the beginning of a fiscal quarter (such as management fees) will not be refunded or prorated for partial periods.

E. Outside Compensation for the Sale of Securities

Neither Altos Ventures nor its supervised persons accept compensation for the sale of securities or other investment products outside of its association with Altos Ventures.

**The foregoing discussion in Item 5 represents Altos Ventures' basic compensation arrangements. The management fees and incentive allocations described above are structured to comply with Rule 205-3 under the Advisers Act. Fees and other**

**compensation are negotiable in certain circumstances and arrangements with any particular Investor may vary. Although Altos Ventures believes its fees are competitive, lower fees for comparable services may be available from other investment advisers.**

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

As discussed in Item 5.A., Altos Ventures generally receives a carried interest equal to a percentage of all realized profits in a particular Fund. Altos Ventures allocates investment opportunities to Clients, and not to individual Investor accounts.

Differences in Altos Ventures' compensation arrangements with its Clients, particularly if some Clients were to pay higher performance-based compensation, could create incentives for Altos Ventures to manage Client portfolios so as to favor those portfolios of Clients paying higher performance-based compensation, as could the ownership interest of Altos Ventures and/or its affiliates (e.g., as a General Partner) in some Client accounts. Notwithstanding these conflicts, Altos Ventures will allocate transactions and opportunities among the various Client accounts it manages in a manner it believes to be as equitable as possible, considering each account's objectives, programs, limitations and capital available for investment, but even accounts with similar objectives will often have different investment portfolios.

Performance-based compensation may provide a possible incentive for Altos Ventures to make riskier or more speculative investments on behalf of a Client than it might make otherwise. Notwithstanding this potential incentive, Altos Ventures will evaluate investments in a manner that it considers to be in the best interest of its Clients, given those Clients' investment objectives, investment strategies, suitability of the investment, and risk profile.

### **Item 7 – Types of Clients**

Altos Ventures provides investment advice and management to its Clients and may in the future provide the same or similar services to other privately placed investment funds and/or other clients.

Altos Ventures intends to restrict the number of Investors in a Fund and will offer Interests only through non-public transactions in order to maintain their exclusion from "investment company" status under the Investment Company Act of 1940, as amended (the "Investment Company Act").

Prospective Investors in a Fund must meet eligibility criteria and are subject to certain withdrawal requirements and limitations. Prospective Investors are encouraged to thoroughly review a Fund's Governing Documents, which set forth all of the Funds terms in detail. Though the Clients generally pursue the same strategy, offering terms may differ. Terms for funds which are SPVs formed primarily to invest in a specific target company are

generally similar to a Funds but can be negotiated on a case by case basis and may differ from those of a Funds.

Each Investor generally must be an “accredited Investor” (as defined in Regulation D under the Securities Act of 1933) and “qualified client” (as defined in Rule 205-3 under the Advisers Act) and must meet other criteria as specified in the Governing Documents. The minimum initial investment varies by Fund but is generally in the range of \$10,000 to \$21,000,000 subject to waiver at the discretion of Altos Ventures.

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

### **A. & B. Methods of Analysis and Investment Strategies**

Clients invest in fast-growing companies in technology, consumer and business products or services sectors across North America and South Korea. We leverage the experience, knowledge and networks of the investment team to help entrepreneurs build companies to maturity and exit. We prefer to invest in entrepreneur-led companies that can grow in a capital efficient manner. We typically invest directly in the companies we recommend but may also make investments in companies facing “special situations,” including secondary transactions, recapitalizations, spin-outs, or structured private investments in publicly-traded companies (“PIPEs”).

### **C. Risks of Investments and Strategies Utilized**

**RISK INHERENT IN VENTURE CAPITAL INVESTMENTS.** The types of investments that a Client anticipates making involve a high degree of risk. In general, financial and operating risks confronting Portfolio Companies can be significant. While targeted returns should reflect the perceived level of risk in any investment situation, there can be no assurance that a Client will be adequately compensated for risks taken. A loss of an Investor’s entire investment is possible. 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 timing of profit realization is highly uncertain. Losses are likely to occur early in a Client’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. The percentage of companies that survive and prosper can be small.

Investments in more mature companies in the expansion or profitable stage involve 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 activities by definition involve a significant amount of change



in a company and could give rise to significant problems in sales, manufacturing, and general management of these activities.

**INVESTMENT IN COMPANIES DEPENDENT UPON NEW SCIENTIFIC DEVELOPMENTS AND TECHNOLOGIES.** Clients invest in technology and technology related companies. The value of these investments may be susceptible to greater risk than an investment in a partnership that invests in a broader range of securities. The specific risks faced by such companies include:

- rapidly changing science, technologies and consumer preferences;
- 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, making these companies susceptible to changes in government policy and 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 technology related investments (which are generally perceived as risky).

**NO ASSURANCE OF RETURNS.** There can be no assurance that Investors will receive distributions from a Client in an amount equal their investment in such a Client. The timing of profit realization, if any, is highly uncertain. Altos Ventures expects the initial expenses of a Client to result in initial losses for a Client. Clients pay a management fee and various other fees and expenses related to its ongoing operations regardless of whether or not a Client's investment activities are profitable. These fees and expenses will require that a Client's investment activities generate sufficient revenues in excess of these expenses in order to become profitable.

**RELIANCE ON ALTOS VENTURES.** The Firm will have sole discretion over the investment of the capital committed to a Client as well as the ultimate realization of any profits. Investors will not receive the detailed financial information issued by portfolio companies that will be available to a Client. Accordingly, Investors will not have the opportunity to evaluate the relevant economic, financial and other information that will be utilized by the Firm in its selection of investments. As such, the pool of funds in a Client represents a blind pool of funds. Investors will be relying on Altos Ventures to identify, structure, and implement investments consistent with a Client's investment objectives and policies and to conduct the business of a Client as contemplated by the Governing Documents. The loss of a principal of the Firm would likely have a significant adverse impact on the business of a Client. No assurances can be given that each principal will continue to be affiliated with a Client throughout its term. Notwithstanding any prior experience that a principal may have in making investments of the type expected to be made by a Client, any such experience necessarily was obtained under different market conditions and with different technologies at the forefront of development.

There can be no assurance that a principal or Altos Ventures, generally, will be able to duplicate prior levels of success.

**RELIANCE ON PORTFOLIO COMPANY MANAGEMENT.** Although the Firm may seek representation on the board of directors of each of the Portfolio Companies, generally, a Client will not have an active role in the day-to-day management of the companies in which it invests. To the extent that the senior management of a portfolio company performs poorly, or if a key manager terminates employment, a Client's investment in such company could be adversely affected.

**LACK OF INFORMATION FOR MONITORING AND VALUING A CLIENT'S ASSETS.** Despite Altos Ventures' efforts to acquire sufficient information to monitor certain of a Client's investments and make well-informed valuation and pricing determinations, the Firm may only be able to obtain limited information at certain times and, in some cases, may not be able to obtain information beyond the information that is publicly available. It is possible that the Firm may not be aware on a timely basis of material adverse changes that have occurred with respect to certain of its investments. The value of a Client's assets could be significantly negatively affected by any such event. Further, the Firm will have to make valuation determinations without the benefit of an adequate amount of relevant information. Investors should be aware that as a result of these difficulties, as well as other uncertainties, any valuation made by the Firm may not represent the fair market value of the securities acquired by a Client.

**COMPETITIVE MARKETPLACE.** The marketplace for venture capital investing 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 is at high levels. Some of the potential competitors may have greater financial and personnel resources than the General Partner. There can be no assurances that the Firm will locate an adequate number of attractive investment opportunities. To the extent that a Client encounters competition for investments, returns may vary.

**AVAILABILITY OF ATTRACTIVE INVESTMENT CANDIDATES.** The ultimate success of a Client will hinge on its ability to locate attractive investment candidates. There can be no assurances that attractive candidates will be found in sufficient quantity to allow all of the capital commitments to be drawn within the investment period.

**CHANGING ECONOMIC CONDITIONS.** The success of any investment activity is determined to some degree by general economic conditions, and the Firm's investment strategy could be significantly impacted by changing external economic conditions in the United States and global economics. The availability, unavailability, or hindered operation of external credit markets, equity markets and other economic systems which a Client will depend upon to achieve its objectives may have a significant negative impact on a Client's operations and profitability. The stability and sustainability of growth in global economies may be impacted by terrorism or acts of war. There can be no assurance that such markets and economic systems will be available or will be available as anticipated or needed for a Client to operate

successfully. Changing economic conditions could potentially adversely impact the valuation of a Client's investments.

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

**NO ASSURANCE OF ADDITIONAL CAPITAL FOR INVESTMENTS.** After a Client has financed a company, continued development and marketing of products may require that additional financing be provided. The Client expects to invest in companies that have substantial capital needs that are typically funded over several stages of investment. No assurance can be made that such additional financing will be available and no assurance can be made as to the terms upon which such financing may be obtained. Alternatively, a Client, either directly or through one of its Portfolio Companies, may elect to sell developed or undeveloped technologies to existing companies. No assurance can be made that buyers for such technologies can be located or that the terms of any such sales will be advantageous.

**REPAYMENT OF CERTAIN DISTRIBUTIONS.** In the event that a Client is unable otherwise to meet its obligations, Investors may be required to repay to such a Client or to pay to creditors of any distributions previously received by them.

**INDEMNIFICATION.** Funds will be required to indemnify the Firm and its members, the principals and affiliates for liabilities incurred in connection with the affairs of Fund. Such liabilities may be material and have an adverse effect on the returns to an Investor. If the assets of Fund are insufficient, the Firm may require the return of distributions.

**FUTURE AND PAST PERFORMANCE.** The performance of any prior fund or any personal investments affiliated with the principals is not necessarily indicative of a Client's future results. While the Firm intends for a Client to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurance that targeted results will be achieved. Loss of principal is possible on any given investment.

**BRIDGE FINANCING.** Clients 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 the Firm'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 a Client.

**LEVERAGE.** To the extent that any investment is made in a portfolio company with a leveraged capital structure or any portfolio company borrows or enters into other financing transactions requiring periodic payments, such investment will be subject to increased exposure to adverse economic factors such as a significant rise in interest rates, a severe downturn in the economy or deterioration in the condition of such company or its industry. If such a company is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the value of any equity investment by a Client in such company could be significantly reduced or even eliminated.

**LIMITATIONS ON ABILITY TO EXIT INVESTMENTS.** Altos Ventures expects a Client to exit from investments in two principal ways: (i) private sales (including acquisitions of its portfolio companies) and (ii) initial and secondary public offerings, although other investment types may have different types of exits or sales activities. At any particular time, one or both of these avenues may not be open to a Fund, or timing with respect to these exit mechanisms may be inopportune. As such, the ability to exit from and liquidate portfolio holdings may be constrained at any particular time.

**POTENTIAL LIABILITIES.** In connection with its investments, Altos Ventures may negotiate the right to appoint one of the principals of the Firm as a member of the portfolio company's board of directors. Such membership on the board of directors of a company can result in a Client or the individual director being named as a defendant in litigation. A Client 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 Client, the General Partner, or its members being named as defendants. Typically, Portfolio Companies will have insurance to protect directors and officers, but this insurance may be inadequate. Clients will also indemnify the General Partner and its principals, among others, for liabilities incurred in connection with operations of a Client, including liabilities arising from such suits. Such indemnification obligations and other liabilities could be substantial.

**CONTINGENT LIABILITIES ON DISPOSITION OF INVESTMENTS.** In connection with the disposition of an investment in a portfolio company, a Client 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 Client may be required to indemnify the purchasers of investment to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities for which the Firm 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. The partners may also be required to return distributions previously made to them to satisfy a Client's obligations with respect to the foregoing.

**RESERVES.** As is customary in the industry, the Firm may establish reserves for follow-on investments by a Client in portfolio companies, operating expenses (including the management fee), liabilities, and other matters. Estimating the appropriate amount of such reserves is difficult, especially for follow-on investment opportunities, which are directly tied to the success and capital needs of portfolio companies. Inadequate or excessive reserves

could impair the investment returns to the Limited Partners. If reserves are inadequate, a Client may be unable to take advantage of attractive follow-on or other investment opportunities or to protect its existing investments from dilutive or other punitive terms associated with “pay-to-play” or similar provisions. If reserves are excessive, a Client may decline attractive investment opportunities or hold unnecessary amounts of capital in money market or similar low-yield accounts.

**ABSENCE OF LIQUIDITY AND PUBLIC MARKETS.** A Client’s investments will generally be private, illiquid holdings. As such, there will be no public markets for the Securities held by a Client and no readily available liquidity mechanism at any particular time for any of the investments held by a Client. In addition, the realization of value from any investments will not be possible or known with any certainty until the Firm elects, in its sole discretion, to sell a Fund’s investments and subsequently distribute the proceeds to its partners or to distribute Securities to the partners in lieu of cash.

**NO MARKET; ILLIQUIDITY OF THE INTEREST.** An investment in a Fund or SVP will be illiquid and involves a high degree of risk. There is no public market for the Interest, and it is not expected that a public market will develop. Consequently, the Investor will bear the economic risks of its investment for the term of a Fund or SPV.

**CERTAIN LIMITATIONS ON THE ABILITY OF THE INVESTOR TO TRANSFER ITS INTEREST.** The transferability of the Interest will be restricted by the Partnership Agreement and by United States federal and state securities laws. In general, the Investor will not be able to sell or transfer its Interest to third parties without the consent of the Firm.

**LIMITED PORTFOLIO DIVERSIFICATION.** As is typical of venture capital firms, the portfolio holdings of a Client will not be broadly diversified. In addition, if the Firm is unable to raise sufficient capital commitments, the diversification of the portfolio holdings of a Client will be further limited. A downturn of the economy or in the business of any one company could impact the aggregate returns delivered to the Investor by a Client.

**LEGAL AND REGULATORY RISKS.** The Clients managed by the Firm are not and do not expect to be registered as “investment companies” under the United States Investment Company Act of 1940, as amended (the “*Investment Company Act*”), pursuant to an exemption set forth in Sections 3(c)(1) and/or 3(c)(7) of the Investment Company Act. There is no assurance that such exemptions will continue to be available to a Client. The Investment Company Act provides certain protections to Investors and imposes certain restrictions on registered investment companies, none of which will be applicable to a Client, if a Client will not be subject to registration as an investment company under the Investment Company Act. Due to the burdens of compliance with the Investment Company Act, the performance of a Client’s investment portfolio could be materially adversely affected, and risks involved in financing portfolio companies could substantially increase, if a Client becomes subject to registration under the Investment Company Act. Neither a Client nor its counsel can assure Investors that, under certain conditions, changed circumstances, or changes in the law, a Client may not become subject to the Investment Company Act or other burdensome regulation.

**WRITTEN SIDE AGREEMENTS.** In accordance with common industry practice, a Fund and/or the Firm may enter into side letters or similar written agreements with other Investors that have the effect of establishing rights under, or altering or supplementing the terms of the Governing Documents, including without limitation to provide for different or more favorable rights, access to information about a Fund's investments, or other matters relating to an investment in a Fund. The ability of other partners to elect to receive the benefit of such side agreements will be limited.

**FAILURE TO MAKE CAPITAL CONTRIBUTIONS.** If another Limited Partner fails to pay when due installments of its commitments to a Client, and the contributions made by non-defaulting Investors and borrowings by a Client are inadequate to cover the defaulted capital contribution, a Client may be unable to pay its obligations when due. As a result, a Client may be subjected to significant penalties that could materially and adversely affect the returns to the Investor. If any Limited Partner defaults, it may be subject to various remedies as provided in the Governing Documents.

**LACK OF CONTROL.** Subject to the implementation of the investment limitations described in a Funds' Governing Documents, the Firm has complete discretion in managing a Client's portfolio. Investors will not make decisions with respect to the management, disposition or other realization of any investment made by a Client, or other decisions regarding a Client's business and affairs.

**CHANGES IN LAW, REGULATIONS AND ADMINISTRATIVE PRACTICES.** Changes in legal, tax and regulatory laws, regulations or administrative practices may occur during the term of a Client that may have an adverse effect on a Client, its investments, its access to investment opportunities, its Limited Partners, the Firm and other affiliates of the Firm. For example, most Clients make investments in a number of different industries, some of which are or may become subject to regulation by one or more U.S. federal agencies and by various agencies of the states, localities and counties or agencies of other countries and jurisdictions in which a Client or the portfolio companies operate. New and existing regulations, changing regulatory requirements and the burdens of regulatory compliance all may have a material negative impact on the performance of portfolio companies that operate in these industries. The Firm 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 regulations, promulgated, including changes to existing laws and regulations, in countries where a Client invests will not adversely affect a Client, its portfolio investments or a Client's investment performance.

**TAXES.** Investors should be aware that tax consequences to them for their investment in a Client are complex and may differ for each Investor. Investors are strongly advised to consult with their own advisors in this regard. Clients may invest in portfolio companies in countries where tax laws are difficult to understand, subject to different interpretations and inconsistently enforced. Any portfolio company in which a Client invests could have

significantly higher tax liabilities than anticipated causing a material adverse effect on its financial condition and results of operations.

**TAXATION IN CERTAIN JURISDICTIONS.** A Client or Investors may be subject to income or other tax in the jurisdictions in which portfolio investments are made. Additionally, withholding tax or branch tax may be imposed on earnings of a Client from portfolio investments in such jurisdictions. Local tax incurred in other jurisdictions by a Client or vehicles through which it invests may not be creditable to or deductible by the Investor in its jurisdiction of tax residence.

**AUDIT.** The Internal Revenue Service could audit a Client's information and adjustments to a Client's tax returns could occur as a result. Any such adjustment could result in a Client paying additional tax, interest and penalties, as well as incremental accounting and legal expenses.

**RISK OF DILUTION.** Limited Partners subscribing for interests at subsequent closings will participate in existing investments of a Client, diluting the interest of existing Limited Partners therein. Although such Limited Partners will contribute their pro rata share of prior capital contributions previously drawn down by a Client, there can be no assurance that such payment will reflect the fair value of a Client's existing investments at the time such additional Limited Partners subscribe for such interests.

**FOREIGN INVESTMENTS.** A Client may invest in companies that are based outside of the United States or the operations of which are primarily outside of the U.S. 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 a Client could become subject to an unanticipated local tax liability.

**FOREIGN EXCHANGE RISKS.** Contributions to a Client and distributions from a Client will be denominated in U.S. dollars. Investments may be denominated in U.S. dollars, Euros, Pounds Sterling or, if deemed advisable by the Firm, in other currencies. As a result, the profits or losses of a Client 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, a Client may incur costs in connection with conversions between various currencies. The Clients do not seek to reduce currency risks through “hedging” or other methods.

**The foregoing risks do not purport to be a complete explanation of all the risks involved in investing with Altos Ventures. Investors should consult their applicable Governing Documents.**

### **Item 9 – Disciplinary Information**

Altos Ventures and its management persons have not been a party to any legal or disciplinary events that would be material to an Investor’s or prospective Investor’s evaluation of its investment advisory business or the integrity of its management.

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

A. Registration as a Broker-Dealer or Broker-Dealer Representative

Neither Altos Ventures nor its management persons are registered as a broker-dealer or broker-dealer representative.

B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Adviser

Neither Altos Ventures nor its management persons are registered as futures commission merchant, commodity pool operator, or a commodity trading adviser.

C. Relationships Material to this Advisory Business and Possible Conflicts of Interest

The Funds may co-invest with third parties in one or more specific portfolio companies. Where possible and appropriate, a Fund may, but will be under no obligation to, provide co-investment opportunities to one or more Investors before making such opportunities available to others. Any allocations among a Funds and co-investment vehicles would be made on what Altos Ventures believes to be a fair and equitable basis.

D. Selection of Other Advisors or Managers

Altos Ventures does not utilize or select other advisors or third-party managers. All assets are managed by Altos Ventures.



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

### **A. Code of Ethics**

Altos Ventures has adopted a Code of Ethics (the “Code”) pursuant to Rule 204A-1 under the Advisers Act, as amended. The Code governs the activities of each member, officer, director and employee of Altos Ventures (collectively, “Employees”). Altos Ventures holds its Employees to a high standard of integrity and business practices that reflects its fiduciary duty to Clients. In serving its Clients, Altos Ventures strives to avoid conflicts of interest or the appearance of conflicts of interest in connection with the personal trading activities of its Employees and Client securities transactions. When persons covered by the Code engage in personal securities transactions, they must adhere to the following general principles and the Code’s specific provisions: (a) at all times the interests of Client must be paramount; (b) personal transactions must be conducted in a manner that is consistent with the Code to avoid any actual or potential conflict of interest; and (c) no inappropriate advantage should be taken of any position of trust and responsibility. Employees covered by the Code have certain trading restrictions and reporting obligations of their personal securities transactions. Each Employee is provided with a copy of the Code and must certify that he or she has received it and has complied with its provisions on an annual basis. In addition, any Employee who becomes aware of any potential violation of the Code is obligated to report the potential violation to the Chief Compliance Officer.

Altos Ventures will provide a copy of its Code of Ethics to Clients and prospective Clients upon request. Such a request may be made by submitting a written request to Altos Ventures at the address on the cover page of this Brochure.

### **B. Recommendations Involving Material Financial Interests**

Principals and Employees of Altos Ventures and its affiliates may directly or indirectly own an interest in private investment funds, including Funds managed by Altos Ventures. The fact that Altos Ventures, its Employees and other related persons may have a financial ownership interest in the Funds creates a potential conflict which could cause the Firm to make different investment decisions than if they did not have a financial ownership interest.

Altos Ventures may engage in transactions in which ownership interests of the Funds or underlying investments are sold in secondary transactions to an Investor or group of Investors. In such circumstances, the Governing Documents will require review and approval of such transactions by the applicable Funds’ Limited Partner Advisory Committee (“LPAC”). Altos Ventures follows industry practice in providing the LPAC all necessary information to allow them to review and approve the transaction due to potential conflict of interest that may exist between the personal interests of the General Partner and certain Employees and the interests of the Investors.

C. Investing Personal Money in the Same Securities as Clients

Clients primarily invest in the securities of private companies. As noted above, Altos Ventures, its employees and other related persons (including family members and close personal friends) may invest directly in a Client. Further, such parties may also make investments in the types of securities in which a Client invests.

Altos Ventures or its related persons may, from time to time, also invest in portfolio companies. As Investors of the same portfolio companies (and their related products) in which a Client invests, such persons may participate in any capital gains (or losses) along with the Clients.

There may be situations in which an Investor or an affiliate of the Firm has or forms a business relationship with a portfolio company. The Firm will use its best efforts to ensure that all conflicts that arise as a result of such relationship are monitored, disclosed, and mitigated when appropriate.

The Code requires Employees to obtain preapproval of any investments in private offerings to identify and manage potential conflicts with a Client's investments. Altos Ventures requires Employees to sign and adhere to the Code and to report personal securities holdings and transactions to its Chief Compliance Officer.

Pursuant to the applicable Governing Documents, an LPAC may be established with respect to a Fund, consisting of representatives of independent Investors of such Fund. An LPAC generally has or will have the authority to consider and, on behalf of a Fund and its Investors, approve or disapprove (to the extent required by applicable law, the Governing Document or by Altos Ventures or its affiliate) related party transactions, principal transactions, certain transactions or arrangements involving actual or potential conflicts of interest, matters requiring client consent under Section 206(3) of the Advisers Act, and any other matters that the general partner of a Fund elects to present thereto. Any consent or approval provided by the LPAC on behalf of a Fund in good faith will be binding on a Fund and its Investors.

D. Trading Securities At/Around the Same Time as Clients' Securities

The Code requires Employees to obtain preapproval of any investments in private offerings and initial public offerings to minimize the possibility of conflicts with a Client's investments. Altos Ventures will document any transactions that could be construed as conflicts of interest and will always transact Client business before the business of its Employees and/or related persons when securities of the same issuer are being bought or sold.

## **Item 12 – Brokerage Practices**

A. Factors Used to Select or Recommend Broker-Dealers

Altos Ventures invests in the securities of private companies, and generally purchases and sells such companies through privately-negotiated transactions where the services of a broker-dealer may be retained. Altos Ventures may also distribute securities to Investors or sell such securities by using a broker-dealer, if a public or private trading market exists.

Although Altos Ventures does not intend to regularly engage in public securities transactions, to the extent it does, it follows the brokerage practices described below.

Altos Ventures will always have discretion regarding the placement of brokerage (and accordingly, the commission rates paid). When selecting brokers to effect portfolio transactions, Altos Ventures considers factors such as price, quality of execution, expertise in particular markets, the ability of the brokers to affect the transactions, the brokers' facilities, reliability, reputation, experience, financial responsibility in particular markets, familiarity both with investment practices generally and techniques employed by clients and certain brokerage or research services ("soft dollar items") provided by such brokers, and clearing and settlement capabilities, which are subject to principles of best execution at all times, in accordance with Altos Ventures' policies and procedures. In selecting broker/dealers to execute transactions, Altos Ventures need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Altos Ventures believes that the broker-dealers it recommends provide competitive transaction and custody costs, helping clients to eliminate or control costs and optimize the custodial structure to the benefit of account holders. When possible, Altos Ventures seeks to pre-negotiate preferred terms for its clients and provide them with the benefits associated with the economy of scale and custodial knowledge of the firm.

Certain brokers utilized by Altos Ventures may provide general assistance to Altos Ventures, including, but not limited to technical support, and consulting services related to staffing needs. In selecting a broker, Altos Ventures may consider the broker's general assistance and consulting services. To the extent Altos Ventures would otherwise be obligated to pay for such assistance, it has a conflict of interest in considering those services when selecting a broker.

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

Altos Ventures currently does not anticipate receiving research or other products and services other than execution from a broker-dealer or third-party in connection with Client securities transactions ("soft dollar benefits"). However, in the future, Altos Ventures shall have the right if, in good faith, it considers it to be in the best interest of its Clients and is consistent with Altos Ventures' obligations to do so, to enter into "soft dollar" arrangements with one or more broker-dealers. All "soft dollar" arrangements will fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act, as is currently interpreted by the Securities and Exchange Commission. If, in the future, Altos Ventures obtains "soft-dollar" benefits, this Brochure will be appropriately amended.

#### 2. Brokerage for Client Referrals

Altos Ventures does not consider, in selecting or recommending broker-dealers, Client referrals from a broker-dealer. Altos Ventures may receive referrals in the future and if it does, will appropriately amend this Brochure.

3. Directed Brokerage

Altos Ventures does not accept directed brokerage arrangements. Transactions are executed by brokers selected by Altos Ventures, in its discretion, and without the consent of the Clients or Fund Investors. Altos Ventures may enter into directed brokerage arrangements only in its discretion.

B. Aggregating Trading for Multiple Client Accounts

Altos Ventures invests in the securities of private companies and generally does not trade in public securities or similar instruments on behalf of Client accounts. The securities of private companies are generally more limited opportunities. In some situations, investment opportunities may be suitable for multiple Clients but the Firm will allocate only to one or a select group of Clients. Due to the limited availability, including quantity of private equity available, the allocation methodology will be dependent upon various factors including Altos Ventures discretion as investment manager.

In addition, Altos Ventures and/or its related persons or Clients, may buy or sell specific securities for its or their own account that are not deemed appropriate for Client accounts at the time, based on personal investment considerations that differ from the considerations on which decisions as to investments in Client accounts are made.

### **Item 13 – Review of Accounts**

A. Frequency and Nature of Periodic Review and Who Makes Those Reviews

The investments made by Clients 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. Altos Ventures closely monitors companies in which a Client invests, and its policies require reviews no less than annually. However, they are generally performed quarterly to confirm that each Client maintained in accordance with its stated objectives.

B. Factors That Will Trigger a Non-Periodic Review of Client Accounts

Reviews may take place more frequently if triggered by economic, market, or political conditions.

C. Content and Frequency of Regular Reports

Investors in the Funds and SPVs will generally receive unaudited reports of performance quarterly and will receive audited year-end financial statements annually.

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

A. Economic Benefits Provided by Third Parties

Altos Ventures does not receive any economic benefit, directly or indirectly from any third party for advice rendered to Clients.

**B. Compensation to Non-Advisory Personnel for Client Referrals**

Currently, neither Altos Ventures nor its related persons directly or indirectly compensate any person who is not advisory personnel for Client referrals. If, in the future, Altos Ventures enters into such arrangements, this Brochure will be appropriately amended.

**Item 15 – Custody**

A rule under the Advisers Act provides that General Partners and Managing Members, as applicable, of a Fund and SPV are considered to have “custody” of a Client’s assets, even though independent, qualified custodians actually hold those assets. That rule generally requires investment advisers to cause certain account statements detailing holdings and transactions to be sent to Clients and imposes certain other obligations. However, advisers to investment funds need not comply with those requirements if, among other things, Altos Ventures provides Investors with audited financial statements by a specified time each year and those financial statements meet certain requirements. Altos Ventures satisfies those conditions and therefore is not subject to reporting and other obligations.

**Item 16 – Investment Discretion**

The Funds’ Governing Documents generally authorize Altos Ventures to invest and trade their assets in a broad range of investments. While there may be certain limitations, such as concentration and other parameters, investments are selected at Altos Ventures’ sole discretion. Altos Ventures may enter into any type of investment transaction and employ any investment methodology or strategy it deems appropriate.

Pursuant to a Funds’ Governing Documents, each Investor designates Altos Ventures as its attorney-in-fact to execute, certify, acknowledge, file, record and swear to all instruments, agreements and documents necessary or advisable to carrying out a Funds’ business affairs, including execution of the Governing Documents. An Investor’s execution of a Fund’s subscription agreement constitutes its execution of a Fund’s Governing Documents and the terms and conditions set forth therein.

**Item 17 – Voting Client Securities**

Altos Ventures invests in the securities of private companies and therefore does not vote proxies on behalf of Clients. If, in the future, Altos Ventures obtains authority to vote proxies, this Brochure will be appropriately amended.

### **Item 18 – Financial Information**

Altos Ventures has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients and has not been the subject of a bankruptcy petition.

A. Balance Sheet

Altos Ventures does not require or solicit prepayment of more than \$500 in fees per Client, six months or more in advance and therefore does not need to include a balance sheet with this Brochure.

B. Financial Condition

Altos Ventures has discretionary authority over Client assets. At this time, neither Altos Ventures nor its management persons have any financial conditions that are likely to reasonably impair its ability to meet contractual commitments to Clients.

C. Bankruptcy Petitions in Previous Years

Altos Ventures has not been the subject of a bankruptcy petition in the last ten years.

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

Not applicable.